

PL, P.L. 110-28, Tax-Related Sections of Title VI, Other Matters, and Title VIII, Fair Minimum Wage and Tax Relief, of U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Enrolled, as Signed by the President on May 25, 2007, (May 30, 2007)

Tax-Related Sections of Title VI, Other Matters, and Title VIII, Fair Minimum Wage and Tax Relief, of U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Enrolled, as Signed by the President on May 25, 2007

May 30, 2007

110th Congress

H.R.2206

One Hundred Tenth Congress

of the

United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Thursday, the fourth day of January, two thousand and seven

An Act

Making emergency supplemental appropriations and additional supplemental appropriations for agricultural and other emergency assistance for the fiscal year ending September 30, 2007, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq

Accountability Appropriations Act, 2007'.

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

* * * * *

TITLE VI —OTHER MATTERS

* * * * *

TITLE VIII —FAIR MINIMUM WAGE AND TAX RELIEF

* * * * *

TITLE VI —OTHER MATTERS

* * * * *

CHAPTER 6

* * * * *

GENERAL PROVISIONS —THIS CHAPTER

(INCLUDING TRANSFERS OF FUNDS AND RESCISSIONS)

* * * * *

Sec. 6611. (a)(1) Section 3(37)(G) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(37)(G)) (as amended by section 1106(a) of the Pension Protection Act of 2006) is amended —

(A) in clause (i)(II)(aa), by striking 'for each of the 3 plan years immediately before the date of the enactment of the Pension Protection Act of 2006,' and inserting 'for each of the 3 plan years immediately preceding the first plan year for which the election under this paragraph is effective with respect to the

plan,';

(B) in clause (ii), by striking 'starting with the first plan year ending after the date of the enactment of the Pension Protection Act of 2006' and inserting 'starting with any plan year beginning on or after January 1, 1999, and ending before January 1, 2008, as designated by the plan in the election made under clause (i)(II)'; and

(C) by adding at the end the following new clause:

'(vii) For purposes of this Act and the Internal Revenue Code of 1986, a plan making an election under this subparagraph shall be treated as maintained pursuant to a collective bargaining agreement if a collective bargaining agreement, expressly or otherwise, provides for or permits employer contributions to the plan by one or more employers that are signatory to such agreement, or participation in the plan by one or more employees of an employer that is signatory to such agreement, regardless of whether the plan was created, established, or maintained for such employees by virtue of another document that is not a collective bargaining agreement.'

(2) Paragraph (6) of section 414(f) of the Internal Revenue Code of 1986 (relating to election with regard to multiemployer status) (as amended by section 1106(b) of the Pension Protection Act of 2006) is amended

—
(A) in subparagraph (A)(ii)(I), by striking 'for each of the 3 plan years immediately before the date of enactment of the Pension Protection Act of 2006,' and inserting 'for each of the 3 plan years immediately preceding the first plan year for which the election under this paragraph is effective with respect to the plan,';

(B) in subparagraph (B), by striking 'starting with the first plan year ending after the date of the enactment of the Pension Protection Act of 2006' and inserting 'starting with any plan year beginning on or after January 1, 1999, and ending before January 1, 2008, as designated by the plan in the election made under subparagraph (A)(ii)'; and

(C) by adding at the end the following new subparagraph:

'(F) MAINTENANCE UNDER COLLECTIVE BARGAINING AGREEMENT- For purposes of this title and the Employee Retirement Income Security Act of 1974, a plan making an election under this paragraph shall be treated as maintained pursuant to a collective bargaining agreement if a collective bargaining agreement, expressly or otherwise, provides for or permits employer contributions to the plan by one or more employers that are signatory to such agreement, or participation in the plan by one or more employees of an employer that is signatory to such agreement, regardless of whether the plan was created, established, or maintained for such employees by virtue of another document that is not a collective bargaining agreement.'

(b)(1) Clause (vi) of section 3(37)(G) of the Employee Retirement Income Security Act of 1974 (as amended by section 1106(a) of the Pension Protection Act of 2006) is amended by striking 'if it is a plan —' and all that follows and inserting the following: 'if it is a plan sponsored by an organization which is described in section 501(c)(5) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code and which was established in Chicago, Illinois, on August 12, 1881.'

(2) Subparagraph (E) of section 414(f)(6) of the Internal Revenue Code of 1986 (as amended by section 1106(b) of the Pension Protection Act of 2006) is amended by striking 'if it is a plan —' and all that follows and inserting the following: 'if it is a plan sponsored by an organization which is described in section 501(c)(5) and exempt from tax under section 501(a) and which was established in Chicago, Illinois, on August 12, 1881.'

(c) The amendments made by this section shall take effect as if included in section 1106 of the Pension Protection Act of 2006.

Sec. 6612. (a) Subclause (III) of section 420(f)(2)(E)(i) of the Internal Revenue Code of 1986 is amended by striking 'subsection (c)(2)(E)(ii)(II)' and inserting 'subsection (c)(3)(E)(ii)(II)'.

(b) Section 420(e)(2)(B) of the Internal Revenue Code of 1986 is amended by striking 'funding shortfall' and inserting 'funding target'.

(c) The amendments made by this section shall take effect as if included in the provisions of the Pension Protection Act of 2006 to which they relate. Sec. 6613. (a) Subparagraph (A) of section 420(c)(3) of the Internal Revenue Code of 1986 is amended by striking 'transfer.' and inserting 'transfer or, in the case of a transfer which involves a plan maintained by an employer described in subsection (f)(2)(E)(i)(III), if the plan meets the requirements of subsection (f)(2)(D)(i)(II)'.

(b) The amendment made by subsection (a) shall apply to transfers after the date of the enactment of this Act.

Sec. 6614. (a) Section 402(i)(1) of the Pension Protection Act of 2006 is amended by striking 'December 28, 2007' and inserting 'January 1, 2008'.

(b) The amendment made by subsection (a) shall take effect as if included in section 402 of the Pension Protection Act of 2006.

Sec. 6615. (a) Section 402(a)(2) of the Pension Protection Act of 2006 is amended by inserting 'and by using, in determining the funding target for each of the 10 plan years during such period, an interest rate of 8.25 percent (rather than the segment rates calculated on the basis of the corporate bond yield curve)' after 'such plan year'.

(b) The amendment made by this section shall take effect as if included in the provisions of the Pension Protection Act of 2006 to which such amendment relates.

* * * * *

TITLE VIII — FAIR MINIMUM WAGE AND TAX RELIEF

Subtitle A — Fair Minimum Wage

SEC. 8101. SHORT TITLE.

This subtitle may be cited as the 'Fair Minimum Wage Act of 2007'.

SEC. 8102. MINIMUM WAGE.

(a) IN GENERAL- Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

‘(1) except as otherwise provided in this section, not less than —

‘(A) \$5.85 an hour, beginning on the 60th day after the date of enactment of the Fair Minimum Wage Act of 2007;

‘(B) \$6.55 an hour, beginning 12 months after that 60th day; and

‘(C) \$7.25 an hour, beginning 24 months after that 60th day;’.

(b) EFFECTIVE DATE- The amendment made by subsection (a) shall take effect 60 days after the date of enactment of this Act.

SEC. 8103. APPLICABILITY OF MINIMUM WAGE TO AMERICAN SAMOA AND THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

(a) IN GENERAL- Section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to American Samoa and the Commonwealth of the Northern Mariana Islands.

(b) TRANSITION- Notwithstanding subsection (a) —

(1) the minimum wage applicable to the Commonwealth of the Northern Mariana Islands under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) shall be —

(A) \$3.55 an hour, beginning on the 60th day after the date of enactment of this Act; and

(B) increased by \$0.50 an hour (or such lesser amount as may be necessary to equal the minimum wage under section 6(a)(1) of such Act), beginning 1 year after the date of enactment of this Act and each year thereafter until the minimum wage applicable to the Commonwealth of the Northern Mariana Islands under this paragraph is equal to the minimum wage set forth in such section; and

(2) the minimum wage applicable to American Samoa under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) shall be —

(A) the applicable wage rate in effect for each industry and classification under section 697 of title 29, Code of Federal Regulations, on the date of enactment of this Act;

(B) increased by \$0.50 an hour, beginning on the 60th day after the date of enactment of this Act; and

(C) increased by \$0.50 an hour (or such lesser amount as may be necessary to equal the minimum wage under section 6(a)(1) of such Act), beginning 1 year after the date of enactment of this Act and each year thereafter until the minimum wage applicable to American Samoa under this paragraph is equal to the minimum wage set forth in such section.

(c) CONFORMING AMENDMENTS-

(1) IN GENERAL- The Fair Labor Standards Act of 1938 is amended —

(A) by striking sections 5 and 8; and

(B) in section 6(a), by striking paragraph (3) and redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

(2) EFFECTIVE DATE- The amendments made by this subsection shall take effect 60 days after the date of enactment of this Act.

SEC. 8104. STUDY ON PROJECTED IMPACT.

(a) STUDY- Beginning on the date that is 60 days after the date of enactment of this Act, the Secretary of Labor shall, through the Bureau of Labor Statistics, conduct a study to —

(1) assess the impact of the wage increases required by this Act through such date; and

(2) project the impact of any further wage increase,

on living standards and rates of employment in American Samoa and the Commonwealth of the Northern Mariana Islands.

(b) REPORT- Not later than the date that is 8 months after the date of enactment of this Act, the Secretary of Labor shall transmit to Congress a report on the findings of the study required by subsection (a).

Subtitle B —Small Business Tax Incentives

SEC. 8201. SHORT TITLE; AMENDMENT OF CODE; TABLE OF CONTENTS.

(a) SHORT TITLE- This subtitle may be cited as the ‘Small Business and Work Opportunity Tax Act of 2007’.

(b) AMENDMENT OF 1986 CODE- Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS- The table of contents of this subtitle is as follows:

Sec. 8201. Short title; amendment of Code; table of contents.

Part 1 —Small Business Tax Relief Provisions

SUBPART A —GENERAL PROVISIONS

Sec. 8211. Extension and modification of work opportunity tax credit.

Sec. 8212. Extension and increase of expensing for small business.

Sec. 8213. Determination of credit for certain taxes paid with respect to employee cash tips.

Sec. 8214. Waiver of individual and corporate alternative minimum tax limits on work opportunity credit and credit for taxes paid with respect to employee cash tips.

Sec. 8215. Family business tax simplification.

SUBPART B —GULF OPPORTUNITY ZONE TAX INCENTIVES

Sec. 8221. Extension of increased expensing for qualified section 179 Gulf Opportunity Zone property.

Sec. 8222. Extension and expansion of low-income housing credit rules for buildings in the GO Zones.

Sec. 8223. Special tax-exempt bond financing rule for repairs and reconstructions of residences in the GO Zones.

Sec. 8224. GAO study of practices employed by State and local governments in allocating and utilizing tax incentives provided pursuant to the Gulf Opportunity Zone Act of 2005.

SUBPART C —SUBCHAPTER S PROVISIONS

Sec. 8231. Capital gain of S corporation not treated as passive investment income.

Sec. 8232. Treatment of bank director shares.

Sec. 8233. Special rule for bank required to change from the reserve method of accounting on becoming S corporation.

Sec. 8234. Treatment of the sale of interest in a qualified subchapter S subsidiary.

Sec. 8235. Elimination of all earnings and profits attributable to pre-1983 years for certain corporations.

Sec. 8236. Deductibility of interest expense on indebtedness incurred by an electing small business trust to acquire S corporation stock.

Part 2 —Revenue Provisions

Sec. 8241. Increase in age of children whose unearned income is taxed as if parent's income.

Sec. 8242. Suspension of certain penalties and interest.

Sec. 8243. Modification of collection due process procedures for employment tax liabilities.

Sec. 8244. Permanent extension of IRS user fees.

Sec. 8245. Increase in penalty for bad checks and money orders.

Sec. 8246. Understatement of taxpayer liability by return preparers.

Sec. 8247. Penalty for filing erroneous refund claims.

Sec. 8248. Time for payment of corporate estimated taxes.

PART 1 —SMALL BUSINESS TAX RELIEF PROVISIONS

Subpart A —General Provisions

SEC. 8211. EXTENSION AND MODIFICATION OF WORK OPPORTUNITY TAX CREDIT.

(a) EXTENSION- Section 51(c)(4)(B) (relating to termination) is amended by striking ‘December 31, 2007’ and inserting ‘August 31, 2011’.

(b) INCREASE IN MAXIMUM AGE FOR DESIGNATED COMMUNITY RESIDENTS-

(1) IN GENERAL- Paragraph (5) of section 51(d) is amended to read as follows:

‘(5) DESIGNATED COMMUNITY RESIDENTS-

‘(A) IN GENERAL- The term ‘designated community resident’ means any individual who is certified by the designated local agency —

‘(i) as having attained age 18 but not age 40 on the hiring date, and

‘(ii) as having his principal place of abode within an empowerment zone, enterprise community, renewal community, or rural renewal county.

‘(B) INDIVIDUAL MUST CONTINUE TO RESIDE IN ZONE, COMMUNITY, OR COUNTY- In the case of a designated community resident, the term ‘qualified wages’ shall not include wages paid or incurred for services performed while the individual’s principal place of abode is outside an empowerment zone, enterprise community, renewal community, or rural renewal county.

‘(C) RURAL RENEWAL COUNTY- For purposes of this paragraph, the term ‘rural renewal county’ means any county which —

‘(i) is outside a metropolitan statistical area (defined as such by the Office of Management and Budget), and

‘(ii) during the 5-year periods 1990 through 1994 and 1995 through 1999 had a net population loss.’.

(2) CONFORMING AMENDMENT- Subparagraph (D) of section 51(d)(1) is amended to read as follows:

‘(D) a designated community resident,’.

(c) CLARIFICATION OF TREATMENT OF INDIVIDUALS UNDER INDIVIDUAL WORK PLANS- Subparagraph (B) of section 51(d)(6) (relating to vocational rehabilitation referral) is amended by striking ‘or’ at the end of clause (i), by striking the period at the end of clause (ii) and inserting ‘, or’, and by adding at the end the following new clause:

‘(iii) an individual work plan developed and implemented by an employment network pursuant to subsection (g) of section 1148 of the Social Security Act with respect to which the requirements of such subsection are met.’.

(d) TREATMENT OF DISABLED VETERANS UNDER THE WORK OPPORTUNITY TAX CREDIT-

(1) DISABLED VETERANS TREATED AS MEMBERS OF TARGETED GROUP-

(A) IN GENERAL- Subparagraph (A) of section 51(d)(3) (relating to qualified veteran) is amended by striking ‘agency as being a member of a family’ and all that follows and inserting ‘agency as —

‘(i) being a member of a family receiving assistance under a food stamp program under the Food Stamp Act of 1977 for at least a 3-month period ending during the 12-month period ending on the hiring date, or

‘(ii) entitled to compensation for a service-connected disability, and —

‘(I) having a hiring date which is not more than 1 year after having been discharged or released from active duty in the Armed Forces of the United States, or

‘(II) having aggregate periods of unemployment during the 1-year period ending on the hiring date which equal or exceed 6 months.’.

(B) DEFINITIONS- Paragraph (3) of section 51(d) is amended by adding at the end the following new subparagraph:

‘(C) OTHER DEFINITIONS- For purposes of subparagraph (A), the terms ‘compensation’ and ‘service-connected’ have the meanings given such terms under section 101 of title 38, United States Code.’.

(2) INCREASE IN AMOUNT OF WAGES TAKEN INTO ACCOUNT FOR DISABLED VETERANS- Paragraph (3) of section 51(b) is amended —

(A) by inserting ‘(\$12,000 per year in the case of any individual who is a qualified veteran by reason of subsection (d)(3)(A)(ii))’ before the period at the end, and

(B) by striking ‘ONLY FIRST \$6,000 OF’ in the heading and inserting ‘LIMITATION ON’.

(e) EFFECTIVE DATE- The amendments made by this section shall apply to individuals who begin work

for the employer after the date of the enactment of this Act.

SEC. 8212. EXTENSION AND INCREASE OF EXPENSING FOR SMALL BUSINESS.

(a) EXTENSION- Subsections (b)(1), (b)(2), (b)(5), (c)(2), and (d)(1)(A)(ii) of section 179 (relating to election to expense certain depreciable business assets) are each amended by striking '2010' and inserting '2011'.

(b) INCREASE IN LIMITATIONS- Subsection (b) of section 179 is amended —

(1) by striking '\$100,000 in the case of taxable years beginning after 2002' in paragraph (1) and inserting '\$125,000 in the case of taxable years beginning after 2006', and

(2) by striking '\$400,000 in the case of taxable years beginning after 2002' in paragraph (2) and inserting '\$500,000 in the case of taxable years beginning after 2006'.

(c) INFLATION ADJUSTMENT- Subparagraph (A) of section 179(b)(5) is amended —

(1) by striking '2003' and inserting '2007',

(2) by striking '\$100,000 and \$400,000' and inserting '\$125,000 and \$500,000', and

(3) by striking '2002' in clause (ii) and inserting '2006'.

(d) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

SEC. 8213. DETERMINATION OF CREDIT FOR CERTAIN TAXES PAID WITH RESPECT TO EMPLOYEE CASH TIPS.

(a) IN GENERAL- Subparagraph (B) of section 45B(b)(1) is amended by inserting 'as in effect on January 1, 2007, and' before 'determined without regard to'.

(b) EFFECTIVE DATE- The amendment made by this section shall apply to tips received for services performed after December 31, 2006.

SEC. 8214. WAIVER OF INDIVIDUAL AND CORPORATE ALTERNATIVE MINIMUM TAX LIMITS ON WORK OPPORTUNITY CREDIT AND CREDIT FOR TAXES PAID WITH RESPECT TO EMPLOYEE CASH TIPS.

(a) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX- Subparagraph (B) of section 38(c)(4) is amended by striking 'and' at the end of clause (i), by inserting a comma at the end of clause (ii), and by adding at the end the following new clauses:

'(iii) the credit determined under section 45B, and

'(iv) the credit determined under section 51.'

(b) EFFECTIVE DATE- The amendments made by this section shall apply to credits determined under sections 45B and 51 of the Internal Revenue Code of 1986 in taxable years beginning after December 31, 2006, and to carrybacks of such credits.

SEC. 8215. FAMILY BUSINESS TAX SIMPLIFICATION.

(a) IN GENERAL- Section 761 (defining terms for purposes of partnerships) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

'(f) QUALIFIED JOINT VENTURE-

'(1) IN GENERAL- In the case of a qualified joint venture conducted by a husband and wife who file a joint return for the taxable year, for purposes of this title —

'(A) such joint venture shall not be treated as a partnership,

'(B) all items of income, gain, loss, deduction, and credit shall be divided between the spouses in accordance with their respective interests in the venture, and

'(C) each spouse shall take into account such spouse's respective share of such items as if they were attributable to a trade or business conducted by such spouse as a sole proprietor.

'(2) QUALIFIED JOINT VENTURE- For purposes of paragraph (1), the term 'qualified joint venture' means any joint venture involving the conduct of a trade or business if —

'(A) the only members of such joint venture are a husband and wife,

'(B) both spouses materially participate (within the meaning of section 469(h) without regard to paragraph (5) thereof) in such trade or business, and

'(C) both spouses elect the application of this subsection.'

(b) NET EARNINGS FROM SELF-EMPLOYMENT-

(1) Subsection (a) of section 1402 (defining net earnings from self-employment) is amended by striking ', and' at the end of paragraph (15) and inserting a semicolon, by striking the period at the end of paragraph (16) and inserting '; and', and by inserting after paragraph (16) the following new paragraph:

'(17) notwithstanding the preceding provisions of this subsection, each spouse's share of income or loss from a qualified joint venture shall be taken into account as provided in section 761(f) in determining net earnings from self-employment of such spouse.'

(2) Subsection (a) of section 211 of the Social Security Act (defining net earnings from self-employment) is amended by striking 'and' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '; and', and by inserting after paragraph (15) the following new paragraph:

'(16) Notwithstanding the preceding provisions of this subsection, each spouse's share of income or loss

from a qualified joint venture shall be taken into account as provided in section 761(f) of the Internal Revenue Code of 1986 in determining net earnings from self-employment of such spouse.'

(c) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

Subpart B —Gulf Opportunity Zone Tax Incentives

SEC. 8221. EXTENSION OF INCREASED EXPENSING FOR QUALIFIED SECTION 179 GULF OPPORTUNITY ZONE PROPERTY.

Paragraph (2) of section 1400N(e) (relating to qualified section 179 Gulf Opportunity Zone property) is amended —

(1) by striking 'this subsection, the term' and inserting:

'this subsection —

'(A) IN GENERAL- The term', and

(2) by adding at the end the following new subparagraph:

'(B) EXTENSION FOR CERTAIN PROPERTY- In the case of property substantially all of the use of which is in one or more specified portions of the GO Zone (as defined by subsection (d)(6)), such term shall include section 179 property (as so defined) which is described in subsection (d)(2), determined —

'(i) without regard to subsection (d)(6), and

'(ii) by substituting '2008' for '2007' in subparagraph (A)(v) thereof.'

SEC. 8222. EXTENSION AND EXPANSION OF LOW-INCOME HOUSING CREDIT RULES FOR BUILDINGS IN THE GO ZONES.

(a) TIME FOR MAKING LOW-INCOME HOUSING CREDIT ALLOCATIONS- Subsection (c) of section 1400N (relating to low-income housing credit) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph

(4) the following new paragraph:

'(5) TIME FOR MAKING LOW-INCOME HOUSING CREDIT ALLOCATIONS- Section 42(h)(1)(B) shall not apply to an allocation of housing credit dollar amount to a building located in the Gulf Opportunity Zone, the Rita GO Zone, or the Wilma GO Zone, if such allocation is made in 2006, 2007, or 2008, and such building is placed in service before January 1, 2011.'

(b) EXTENSION OF PERIOD FOR TREATING GO ZONES AS DIFFICULT DEVELOPMENT

AREAS-

(1) IN GENERAL- Subparagraph (A) of section 1400N(c)(3) is amended by striking '2006, 2007, or 2008' and inserting 'the period beginning on January 1, 2006, and ending on December 31, 2010'.

(2) CONFORMING AMENDMENT- Clause (ii) of section 1400N(c)(3)(B) is amended by striking 'such period' and inserting 'the period described in subparagraph (A)'.

(c) COMMUNITY DEVELOPMENT BLOCK GRANTS NOT TAKEN INTO ACCOUNT IN DETERMINING IF BUILDINGS ARE FEDERALLY SUBSIDIZED- Subsection (c) of section 1400N (relating to low-income housing credit), as amended by this Act, is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph

(5) the following new paragraph:

'(6) COMMUNITY DEVELOPMENT BLOCK GRANTS NOT TAKEN INTO ACCOUNT IN DETERMINING IF BUILDINGS ARE FEDERALLY SUBSIDIZED- For purpose of applying section 42(i)(2)(D) to any building which is placed in service in the Gulf Opportunity Zone, the Rita GO Zone, or the Wilma GO Zone during the period beginning on January 1, 2006, and ending on December 31, 2010, a loan shall not be treated as a below market Federal loan solely by reason of any assistance provided under section 106, 107, or 108 of the Housing and Community Development Act of 1974 by reason of section 122 of such Act or any provision of the Department of Defense Appropriations Act, 2006, or the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006.'

SEC. 8223. SPECIAL TAX-EXEMPT BOND FINANCING RULE FOR REPAIRS AND RECONSTRUCTIONS OF RESIDENCES IN THE GO ZONES.

Subsection (a) of section 1400N (relating to tax-exempt bond financing) is amended by adding at the end the following new paragraph:

'(7) SPECIAL RULE FOR REPAIRS AND RECONSTRUCTIONS-

'(A) IN GENERAL- For purposes of section 143 and this subsection, any qualified GO Zone repair or reconstruction shall be treated as a qualified rehabilitation.

'(B) QUALIFIED GO ZONE REPAIR OR RECONSTRUCTION- For purposes of subparagraph (A), the term 'qualified GO Zone repair or reconstruction' means any repair of damage caused by Hurricane Katrina, Hurricane Rita, or Hurricane Wilma to a building located in the Gulf Opportunity Zone, the Rita GO Zone, or the Wilma GO Zone (or reconstruction of such building in the case of damage constituting destruction) if the expenditures for such repair or reconstruction are 25 percent or more of the mortgagor's adjusted basis in the residence. For purposes of the preceding sentence, the mortgagor's adjusted basis shall be determined as of the completion of the repair or reconstruction or, if later, the date on which the mortgagor acquires the residence.

'(C) TERMINATION- This paragraph shall apply only to owner-financing provided after the date of the enactment of this paragraph and before January 1, 2011.'

SEC. 8224. GAO STUDY OF PRACTICES EMPLOYED BY STATE AND LOCAL

GOVERNMENTS IN ALLOCATING AND UTILIZING TAX INCENTIVES PROVIDED PURSUANT TO THE GULF OPPORTUNITY ZONE ACT OF 2005.

(a) IN GENERAL- The Comptroller General of the United States shall conduct a study of the practices employed by State and local governments, and subdivisions thereof, in allocating and utilizing tax incentives provided pursuant to the Gulf Opportunity Zone Act of 2005 and this Act.

(b) SUBMISSION OF REPORT- Not later than one year after the date of the enactment of this Act, the Comptroller General shall submit a report on the findings of the study conducted under subsection (a) and shall include therein recommendations (if any) relating to such findings. The report shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(c) CONGRESSIONAL HEARINGS- In the case that the report submitted under this section includes findings of significant fraud, waste or abuse, each Committee specified in subsection (b) shall, within 60 days after the date the report is submitted under subsection (b), hold a public hearing to review such findings.

Subpart C —Subchapter S Provisions

SEC. 8231. CAPITAL GAIN OF S CORPORATION NOT TREATED AS PASSIVE INVESTMENT INCOME.

(a) IN GENERAL- Section 1362(d)(3) is amended by striking subparagraphs (B), (C), (D), (E), and (F) and inserting the following new subparagraphs:

‘(B) GROSS RECEIPTS FROM THE SALES OF CERTAIN ASSETS- For purposes of this paragraph —

‘(i) in the case of dispositions of capital assets (other than stock and securities), gross receipts from such dispositions shall be taken into account only to the extent of the capital gain net income therefrom, and

‘(ii) in the case of sales or exchanges of stock or securities, gross receipts shall be taken into account only to the extent of the gains therefrom.

‘(C) PASSIVE INVESTMENT INCOME DEFINED-

‘(i) IN GENERAL- Except as otherwise provided in this subparagraph, the term ‘passive investment income’ means gross receipts derived from royalties, rents, dividends, interest, and annuities.

‘(ii) EXCEPTION FOR INTEREST ON NOTES FROM SALES OF INVENTORY- The term ‘passive investment income’ shall not include interest on any obligation acquired in the ordinary course of the corporation’s trade or business from its sale of property described in section 1221(a)(1).

‘(iii) TREATMENT OF CERTAIN LENDING OR FINANCE COMPANIES- If the S corporation meets the requirements of section 542(c)(6) for the taxable year, the term ‘passive investment income’ shall not include gross receipts for the taxable year which are derived directly from the active and regular conduct of a lending or finance business (as defined in section 542(d)(1)).

‘(iv) TREATMENT OF CERTAIN DIVIDENDS- If an S corporation holds stock in a C corporation meeting the requirements of section 1504(a)(2), the term ‘passive investment income’ shall not include dividends from such C corporation to the extent such dividends are attributable to the earnings and profits of such C corporation derived from the active conduct of a trade or business.

‘(v) EXCEPTION FOR BANKS, ETC- In the case of a bank (as defined in section 581) or a depository institution holding company (as defined in section 3(w)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w)(1)), the term ‘passive investment income’ shall not include —

‘(I) interest income earned by such bank or company, or

‘(II) dividends on assets required to be held by such bank or company, including stock in the Federal Reserve Bank, the Federal Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.’.

(b) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 8232. TREATMENT OF BANK DIRECTOR SHARES.

(a) IN GENERAL- Section 1361 (defining S corporation) is amended by adding at the end the following new subsection:

‘(f) RESTRICTED BANK DIRECTOR STOCK-

‘(1) IN GENERAL- Restricted bank director stock shall not be taken into account as outstanding stock of the S corporation in applying this subchapter (other than section 1368(f)).

‘(2) RESTRICTED BANK DIRECTOR STOCK- For purposes of this subsection, the term ‘restricted bank director stock’ means stock in a bank (as defined in section 581) or a depository institution holding company (as defined in section 3(w)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w)(1)), if such stock —

‘(A) is required to be held by an individual under applicable Federal or State law in order to permit such individual to serve as a director, and

‘(B) is subject to an agreement with such bank or company (or a corporation which controls (within the meaning of section 368(c)) such bank or company) pursuant to which the holder is required to sell back such stock (at the same price as the individual acquired such stock) upon ceasing to hold the office of director.

‘(3) CROSS REFERENCE-

‘For treatment of certain distributions with respect to restricted bank director stock, see section 1368(f).’.

(b) DISTRIBUTIONS- Section 1368 (relating to distributions) is amended by adding at the end the following new subsection:

‘(f) RESTRICTED BANK DIRECTOR STOCK- If a director receives a distribution (not in part or full payment in exchange for stock) from an S corporation with respect to any restricted bank director stock (as

defined in section 1361(f)), the amount of such distribution —

‘(1) shall be includible in gross income of the director, and

‘(2) shall be deductible by the corporation for the taxable year of such corporation in which or with which ends the taxable year in which such amount is included in the gross income of the director.’.

(c) EFFECTIVE DATES-

(1) IN GENERAL- The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

(2) SPECIAL RULE FOR TREATMENT AS SECOND CLASS OF STOCK- In the case of any taxable year beginning after December 31, 1996, restricted bank director stock (as defined in section 1361(f) of the Internal Revenue Code of 1986, as added by this section) shall not be taken into account in determining whether an S corporation has more than 1 class of stock.

SEC. 8233. SPECIAL RULE FOR BANK REQUIRED TO CHANGE FROM THE RESERVE METHOD OF ACCOUNTING ON BECOMING S CORPORATION.

(a) IN GENERAL- Section 1361, as amended by this Act, is amended by adding at the end the following new subsection:

‘(g) SPECIAL RULE FOR BANK REQUIRED TO CHANGE FROM THE RESERVE METHOD OF ACCOUNTING ON BECOMING S CORPORATION- In the case of a bank which changes from the reserve method of accounting for bad debts described in section 585 or 593 for its first taxable year for which an election under section 1362(a) is in effect, the bank may elect to take into account any adjustments under section 481 by reason of such change for the taxable year immediately preceding such first taxable year.’.

(b) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

SEC. 8234. TREATMENT OF THE SALE OF INTEREST IN A QUALIFIED SUBCHAPTER S SUBSIDIARY.

(a) IN GENERAL- Subparagraph (C) of section 1361(b)(3) (relating to treatment of terminations of qualified subchapter S subsidiary status) is amended —

(1) by striking ‘For purposes of this title,’ and inserting the following:

‘(i) IN GENERAL- For purposes of this title,’ and

(2) by inserting at the end the following new clause:

‘(ii) TERMINATION BY REASON OF SALE OF STOCK- If the failure to meet the requirements of subparagraph (B) is by reason of the sale of stock of a corporation which is a qualified subchapter S subsidiary, the sale of such stock shall be treated as if —

'(I) the sale were a sale of an undivided interest in the assets of such corporation (based on the percentage of the corporation's stock sold), and

'(II) the sale were followed by an acquisition by such corporation of all of its assets (and the assumption by such corporation of all of its liabilities) in a transaction to which section 351 applies.'

(b) EFFECTIVE DATE- The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

SEC. 8235. ELIMINATION OF ALL EARNINGS AND PROFITS ATTRIBUTABLE TO PRE-1983 YEARS FOR CERTAIN CORPORATIONS.

In the case of a corporation which is —

(1) described in section 1311(a)(1) of the Small Business Job Protection Act of 1996, and

(2) not described in section 1311(a)(2) of such Act, the amount of such corporation's accumulated earnings and profits (for the first taxable year beginning after the date of the enactment of this Act) shall be reduced by an amount equal to the portion (if any) of such accumulated earnings and profits which were accumulated in any taxable year beginning before January 1, 1983, for which such corporation was an electing small business corporation under subchapter S of the Internal Revenue Code of 1986.

SEC. 8236. DEDUCTIBILITY OF INTEREST EXPENSE ON INDEBTEDNESS INCURRED BY AN ELECTING SMALL BUSINESS TRUST TO ACQUIRE S CORPORATION STOCK.

(a) IN GENERAL- Subparagraph (C) of section 641(c)(2) (relating to modifications) is amended by inserting after clause (iii) the following new clause:

'(iv) Any interest expense paid or accrued on indebtedness incurred to acquire stock in an S corporation.'

(b) EFFECTIVE DATE- The amendment made by this section shall apply to taxable years beginning after December 31, 2006.

PART 2 —REVENUE PROVISIONS

SEC. 8241. INCREASE IN AGE OF CHILDREN WHOSE UNEARNED INCOME IS TAXED AS IF PARENT'S INCOME.

(a) IN GENERAL- Subparagraph (A) of section 1(g)(2) (relating to child to whom subsection applies) is amended to read as follows:

'(A) such child —

‘(i) has not attained age 18 before the close of the taxable year, or

‘(ii)(I) has attained age 18 before the close of the taxable year and meets the age requirements of section 152(c)(3) (determined without regard to subparagraph (B) thereof), and

‘(II) whose earned income (as defined in section 911(d)(2)) for such taxable year does not exceed one-half of the amount of the individual's support (within the meaning of section 152(c)(1)(D) after the application of section 152(f)(5) (without regard to subparagraph (A) thereof)) for such taxable year.’.

(b) CONFORMING AMENDMENT- Subsection (g) of section 1 is amended by striking ‘MINOR’ in the heading thereof.

(c) EFFECTIVE DATE- The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 8242. SUSPENSION OF CERTAIN PENALTIES AND INTEREST.

(a) IN GENERAL- Paragraphs (1)(A) and (3)(A) of section 6404(g) are each amended by striking ‘18-month period’ and inserting ‘36-month period’.

(b) EFFECTIVE DATE- The amendments made by this section shall apply to notices provided by the Secretary of the Treasury, or his delegate, after the date which is 6 months after the date of the enactment of this Act.

SEC. 8243. MODIFICATION OF COLLECTION DUE PROCESS PROCEDURES FOR EMPLOYMENT TAX LIABILITIES.

(a) IN GENERAL- Section 6330(f) (relating to jeopardy and State refund collection) is amended —

(1) by striking ‘; or’ at the end of paragraph (1) and inserting a comma,

(2) by adding ‘or’ at the end of paragraph (2), and

(3) by inserting after paragraph (2) the following new paragraph:

‘(3) the Secretary has served a disqualified employment tax levy.’.

(b) DISQUALIFIED EMPLOYMENT TAX LEVY- Section 6330 of such Code (relating to notice and opportunity for hearing before levy) is amended by adding at the end the following new subsection:

‘(h) DISQUALIFIED EMPLOYMENT TAX LEVY- For purposes of subsection (f), a disqualified employment tax levy is any levy in connection with the collection of employment taxes for any taxable period if the person subject to the levy (or any predecessor thereof) requested a hearing under this section with respect to unpaid employment taxes arising in the most recent 2-year period before the beginning of the taxable period with respect to which the levy is served. For purposes of the preceding sentence, the term ‘employment taxes’ means any taxes under chapter 21, 22, 23, or 24.’.

(c) EFFECTIVE DATE- The amendments made by this section shall apply to levies served on or after the date that is 120 days after the date of the enactment of this Act.

SEC. 8244. PERMANENT EXTENSION OF IRS USER FEES.

Section 7528 (relating to Internal Revenue Service user fees) is amended by striking subsection (c).

SEC. 8245. INCREASE IN PENALTY FOR BAD CHECKS AND MONEY ORDERS.

(a) IN GENERAL- Section 6657 (relating to bad checks) is amended —

(1) by striking '\$750' and inserting '\$1,250', and

(2) by striking '\$15' and inserting '\$25'.

(b) EFFECTIVE DATE- The amendments made by this section apply to checks or money orders received after the date of the enactment of this Act.

SEC. 8246. UNDERSTATEMENT OF TAXPAYER LIABILITY BY RETURN PREPARERS.

(a) APPLICATION OF RETURN PREPARER PENALTIES TO ALL TAX RETURNS-

(1) DEFINITION OF TAX RETURN PREPARER- Paragraph (36) of section 7701(a) (relating to income tax preparer) is amended —

(A) by striking 'income' each place it appears in the heading and the text, and

(B) in subparagraph (A), by striking 'subtitle A' each place it appears and inserting 'this title'.

(2) CONFORMING AMENDMENTS-

(A)(i) Section 6060 is amended by striking 'income tax return preparers' in the heading and inserting 'tax return preparers'.

(ii) Section 6060(a) is amended —

(I) by striking 'an income tax return preparer' each place it appears and inserting 'a tax return preparer',

(II) by striking 'each income tax return preparer' and inserting 'each tax return preparer', and

(III) by striking 'another income tax return preparer' and inserting 'another tax return preparer'.

(iii) The item relating to section 6060 in the table of sections for subpart F of part III of subchapter A of chapter 61 is amended by striking 'income tax return preparers' and inserting 'tax return preparers'.

(iv) Subpart F of part III of subchapter A of chapter 61 is amended by striking 'Income Tax Return Preparers' in the heading and inserting 'Tax Return Preparers'.

(v) The item relating to subpart F in the table of subparts for part III of subchapter A of chapter 61 is amended by striking 'income tax return preparers' and inserting 'tax return preparers'.

(B) Section 6103(k)(5) is amended —

(i) by striking 'income tax return preparer' each place it appears and inserting 'tax return preparer', and

(ii) by striking 'income tax return preparers' each place it appears and inserting 'tax return preparers'.

(C)(i) Section 6107 is amended —

(I) by striking 'income tax return preparer' in the heading and inserting 'tax return preparer',

(II) by striking 'an income tax return preparer' each place it appears in subsections (a) and (b) and inserting 'a tax return preparer',

(III) by striking 'INCOME TAX RETURN PREPARER' in the heading for subsection (b) and inserting 'TAX RETURN PREPARER', and

(IV) in subsection (c), by striking 'income tax return preparers' and inserting 'tax return preparers'.

(ii) The item relating to section 6107 in the table of sections for subchapter B of chapter 61 is amended by striking 'Income tax return preparer' and inserting 'Tax return preparer'.

(D) Section 6109(a)(4) is amended —

(i) by striking 'an income tax return preparer' and inserting 'a tax return preparer', and

(ii) by striking 'INCOME RETURN PREPARER' in the heading and inserting 'TAX RETURN PREPARER'.

(E) Section 6503(k)(4) is amended by striking 'Income tax return preparers' and inserting 'Tax return preparers'.

(F)(i) Section 6694 is amended —

(I) by striking 'income tax return preparer' in the heading and inserting 'tax return preparer',

(II) by striking 'an income tax return preparer' each place it appears and inserting 'a tax return preparer',

(III) in subsection (c)(2), by striking 'the income tax return preparer' and inserting 'the tax return preparer',

(IV) in subsection (e), by striking 'subtitle A' and inserting 'this title', and

(V) in subsection (f), by striking 'income tax return preparer' and inserting 'tax return preparer'.

(ii) The item relating to section 6694 in the table of sections for part I of subchapter B of chapter 68 is amended by striking 'income tax return preparer' and inserting 'tax return preparer'.

(G)(i) Section 6695 is amended —

(I) by striking 'income' in the heading, and

(II) by striking 'an income tax return preparer' each place it appears and inserting 'a tax return preparer'.

(ii) Section 6695(f) is amended —

(I) by striking 'subtitle A' and inserting 'this title', and

(II) by striking 'the income tax return preparer' and inserting 'the tax return preparer'.

(iii) The item relating to section 6695 in the table of sections for part I of subchapter B of chapter 68 is amended by striking 'income'.

(H) Section 6696(e) is amended by striking 'subtitle A' each place it appears and inserting 'this title'.

(I)(i) Section 7407 is amended —

(I) by striking 'income tax return preparers' in the heading and inserting 'tax return preparers',

(II) by striking 'an income tax return preparer' each place it appears and inserting 'a tax return preparer',

(III) by striking 'income tax preparer' both places it appears in subsection (a) and inserting 'tax return preparer', and

(IV) by striking 'income tax return' in subsection (a) and inserting 'tax return'.

(ii) The item relating to section 7407 in the table of sections for subchapter A of chapter 76 is amended by striking 'income tax return preparers' and inserting 'tax return preparers'.

(J)(i) Section 7427 is amended —

(I) by striking 'income tax return preparers' in the heading and inserting 'tax return preparers', and

(II) by striking 'an income tax return preparer' and inserting 'a tax return preparer'.

(ii) The item relating to section 7427 in the table of sections for subchapter B of chapter 76 is amended to read as follows:

'Sec. 7427. Tax return preparers.'

(b) MODIFICATION OF PENALTY FOR UNDERSTATEMENT OF TAXPAYER'S LIABILITY BY TAX RETURN PREPARER- Subsections (a) and (b) of section 6694 are amended to read as follows:

'(a) UNDERSTATEMENT DUE TO UNREASONABLE POSITIONS-

'(1) IN GENERAL- Any tax return preparer who prepares any return or claim for refund with respect to which any part of an understatement of liability is due to a position described in paragraph (2) shall pay a penalty with respect to each such return or claim in an amount equal to the greater of —

‘(A) \$1,000, or

‘(B) 50 percent of the income derived (or to be derived) by the tax return preparer with respect to the return or claim.

‘(2) UNREASONABLE POSITION- A position is described in this paragraph if —

‘(A) the tax return preparer knew (or reasonably should have known) of the position,

‘(B) there was not a reasonable belief that the position would more likely than not be sustained on its merits, and

‘(C)(i) the position was not disclosed as provided in section 6662(d)(2)(B)(ii), or

‘(ii) there was no reasonable basis for the position.

‘(3) REASONABLE CAUSE EXCEPTION- No penalty shall be imposed under this subsection if it is shown that there is reasonable cause for the understatement and the tax return preparer acted in good faith.

‘(b) UNDERSTATEMENT DUE TO WILLFUL OR RECKLESS CONDUCT-

‘(1) IN GENERAL- Any tax return preparer who prepares any return or claim for refund with respect to which any part of an understatement of liability is due to a conduct described in paragraph (2) shall pay a penalty with respect to each such return or claim in an amount equal to the greater of —

‘(A) \$5,000, or

‘(B) 50 percent of the income derived (or to be derived) by the tax return preparer with respect to the return or claim.

‘(2) WILLFUL OR RECKLESS CONDUCT- Conduct described in this paragraph is conduct by the tax return preparer which is —

‘(A) a willful attempt in any manner to understate the liability for tax on the return or claim, or

‘(B) a reckless or intentional disregard of rules or regulations.

‘(3) REDUCTION IN PENALTY- The amount of any penalty payable by any person by reason of this subsection for any return or claim for refund shall be reduced by the amount of the penalty paid by such person by reason of subsection (a).’.

(c) EFFECTIVE DATE- The amendments made by this section shall apply to returns prepared after the date of the enactment of this Act.

SEC. 8247. PENALTY FOR FILING ERRONEOUS REFUND CLAIMS.

(a) IN GENERAL- Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6675 the following new section:

‘SEC. 6676. ERRONEOUS CLAIM FOR REFUND OR CREDIT.

‘(a) CIVIL PENALTY- If a claim for refund or credit with respect to income tax (other than a claim for a refund or credit relating to the earned income credit under section 32) is made for an excessive amount, unless it is shown that the claim for such excessive amount has a reasonable basis, the person making such claim shall be liable for a penalty in an amount equal to 20 percent of the excessive amount.

‘(b) EXCESSIVE AMOUNT- For purposes of this section, the term ‘excessive amount’ means in the case of any person the amount by which the amount of the claim for refund or credit for any taxable year exceeds the amount of such claim allowable under this title for such taxable year.

‘(c) COORDINATION WITH OTHER PENALTIES- This section shall not apply to any portion of the excessive amount of a claim for refund or credit which is subject to a penalty imposed under part II of subchapter A of chapter 68.’

(b) CONFORMING AMENDMENT- The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6675 the following new item:

‘Sec. 6676. Erroneous claim for refund or credit.’

(c) EFFECTIVE DATE- The amendments made by this section shall apply to any claim filed or submitted after the date of the enactment of this Act.

SEC. 8248. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.

Subparagraph (B) of section 401(1) of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking ‘106.25 percent’ and inserting ‘114.25 percent’.

Subtitle C —Small Business Incentives

SEC. 8301. SHORT TITLE.

This subtitle may be cited as the ‘Small Business and Work Opportunity Act of 2007’.

SEC. 8302. ENHANCED COMPLIANCE ASSISTANCE FOR SMALL BUSINESSES.

(a) In General- Section 212 of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601 note) is amended by striking subsection (a) and inserting the following:

‘(a) Compliance Guide-

‘(1) IN GENERAL- For each rule or group of related rules for which an agency is required to prepare a final regulatory flexibility analysis under section 605(b) of title 5, United States Code, the agency shall publish 1 or more guides to assist small entities in complying with the rule and shall entitle such publications ‘small entity compliance guides’.

‘(2) PUBLICATION OF GUIDES- The publication of each guide under this subsection shall include —

‘(A) the posting of the guide in an easily identified location on the website of the agency; and

‘(B) distribution of the guide to known industry contacts, such as small entities, associations, or industry leaders affected by the rule.

‘(3) PUBLICATION DATE- An agency shall publish each guide (including the posting and distribution of the guide as described under paragraph (2)) —

‘(A) on the same date as the date of publication of the final rule (or as soon as possible after that date); and

‘(B) not later than the date on which the requirements of that rule become effective.

‘(4) COMPLIANCE ACTIONS-

‘(A) IN GENERAL- Each guide shall explain the actions a small entity is required to take to comply with a rule.

‘(B) EXPLANATION- The explanation under subparagraph (A) —

‘(i) shall include a description of actions needed to meet the requirements of a rule, to enable a small entity to know when such requirements are met; and

‘(ii) if determined appropriate by the agency, may include a description of possible procedures, such as conducting tests, that may assist a small entity in meeting such requirements, except that, compliance with any procedures described pursuant to this section does not establish compliance with the rule, or establish a presumption or inference of such compliance.

‘(C) PROCEDURES- Procedures described under subparagraph (B)(ii) —

‘(i) shall be suggestions to assist small entities; and

‘(ii) shall not be additional requirements, or diminish requirements, relating to the rule.

‘(5) AGENCY PREPARATION OF GUIDES- The agency shall, in its sole discretion, taking into account the subject matter of the rule and the language of relevant statutes, ensure that the guide is written using sufficiently plain language likely to be understood by affected small entities. Agencies may prepare separate guides covering groups or classes of similarly affected small entities and may cooperate with associations of small entities to develop and distribute such guides. An agency may prepare guides and apply this section with respect to a rule or a group of related rules.

‘(6) REPORTING- Not later than 1 year after the date of enactment of the Fair Minimum Wage Act of 2007, and annually thereafter, the head of each agency shall submit a report to the Committee on Small Business and Entrepreneurship of the Senate, the Committee on Small Business of the House of Representatives, and any other committee of relevant jurisdiction describing the status of the agency's

compliance with paragraphs (1) through (5).'

(b) Technical and Conforming Amendment- Section 211(3) of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601 note) is amended by inserting 'and entitled' after 'designated'.

SEC. 8303. SMALL BUSINESS CHILD CARE GRANT PROGRAM.

(a) Establishment- The Secretary of Health and Human Services (referred to in this section as the 'Secretary') shall establish a program to award grants to States, on a competitive basis, to assist States in providing funds to encourage the establishment and operation of employer-operated child care programs.

(b) Application- To be eligible to receive a grant under this section, a State shall prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require, including an assurance that the funds required under subsection (e) will be provided.

(c) Amount and Period of Grant- The Secretary shall determine the amount of a grant to a State under this section based on the population of the State as compared to the population of all States receiving grants under this section. The Secretary shall make the grant for a period of 3 years.

(d) Use of Funds-

(1) IN GENERAL- A State shall use amounts provided under a grant awarded under this section to provide assistance to small businesses (or consortia formed in accordance with paragraph (3)) located in the State to enable the small businesses (or consortia) to establish and operate child care programs. Such assistance may include —

(A) technical assistance in the establishment of a child care program;

(B) assistance for the startup costs related to a child care program;

(C) assistance for the training of child care providers;

(D) scholarships for low-income wage earners;

(E) the provision of services to care for sick children or to provide care to school-aged children;

(F) the entering into of contracts with local resource and referral organizations or local health departments;

(G) assistance for care for children with disabilities;

(H) payment of expenses for renovation or operation of a child care facility; or

(I) assistance for any other activity determined appropriate by the State.

(2) APPLICATION- In order for a small business or consortium to be eligible to receive assistance from a State under this section, the small business involved shall prepare and submit to the State an application at such time, in such manner, and containing such information as the State may require.

(3) PREFERENCE-

(A) IN GENERAL- In providing assistance under this section, a State shall give priority to an applicant that desires to form a consortium to provide child care in a geographic area within the State where such care is not generally available or accessible.

(B) CONSORTIUM- For purposes of subparagraph (A), a consortium shall be made up of 2 or more entities that shall include small businesses and that may include large businesses, nonprofit agencies or organizations, local governments, or other appropriate entities.

(4) LIMITATIONS- With respect to grant funds received under this section, a State may not provide in excess of \$500,000 in assistance from such funds to any single applicant.

(e) Matching Requirement- To be eligible to receive a grant under this section, a State shall provide assurances to the Secretary that, with respect to the costs to be incurred by a covered entity receiving assistance in carrying out activities under this section, the covered entity will make available (directly or through donations from public or private entities) non-Federal contributions to such costs in an amount equal to —

(1) for the first fiscal year in which the covered entity receives such assistance, not less than 50 percent of such costs (\$1 for each \$1 of assistance provided to the covered entity under the grant);

(2) for the second fiscal year in which the covered entity receives such assistance, not less than 66 2/3 percent of such costs (\$2 for each \$1 of assistance provided to the covered entity under the grant); and

(3) for the third fiscal year in which the covered entity receives such assistance, not less than 75 percent of such costs (\$3 for each \$1 of assistance provided to the covered entity under the grant).

(f) Requirements of Providers- To be eligible to receive assistance under a grant awarded under this section, a child care provider —

(1) who receives assistance from a State shall comply with all applicable State and local licensing and regulatory requirements and all applicable health and safety standards in effect in the State; and

(2) who receives assistance from an Indian tribe or tribal organization shall comply with all applicable regulatory standards.

(g) State-Level Activities- A State may not retain more than 3 percent of the amount described in subsection (c) for State administration and other State-level activities.

(h) Administration-

(1) STATE RESPONSIBILITY- A State shall have responsibility for administering a grant awarded for the State under this section and for monitoring covered entities that receive assistance under such grant.

(2) AUDITS- A State shall require each covered entity receiving assistance under the grant awarded under this section to conduct an annual audit with respect to the activities of the covered entity. Such audits shall be submitted to the State.

(3) MISUSE OF FUNDS-

(A) REPAYMENT- If the State determines, through an audit or otherwise, that a covered entity receiving assistance under a grant awarded under this section has misused the assistance, the State shall notify the Secretary of the misuse. The Secretary, upon such a notification, may seek from such a covered entity the repayment of an amount equal to the amount of any such misused assistance plus interest.

(B) APPEALS PROCESS- The Secretary shall by regulation provide for an appeals process with respect to repayments under this paragraph.

(i) Reporting Requirements-

(1) 2-year STUDY-

(A) IN GENERAL- Not later than 2 years after the date on which the Secretary first awards grants under this section, the Secretary shall conduct a study to determine —

(i) the capacity of covered entities to meet the child care needs of communities within States;

(ii) the kinds of consortia that are being formed with respect to child care at the local level to carry out programs funded under this section; and

(iii) who is using the programs funded under this section and the income levels of such individuals.

(B) REPORT- Not later than 28 months after the date on which the Secretary first awards grants under this section, the Secretary shall prepare and submit to the appropriate committees of Congress a report on the results of the study conducted in accordance with subparagraph (A).

(2) FOUR-YEAR STUDY-

(A) IN GENERAL- Not later than 4 years after the date on which the Secretary first awards grants under this section, the Secretary shall conduct a study to determine the number of child care facilities that are funded through covered entities that received assistance through a grant awarded under this section and that remain in operation, and the extent to which such facilities are meeting the child care needs of the individuals served by such facilities.

(B) REPORT- Not later than 52 months after the date on which the Secretary first awards grants under this section, the Secretary shall prepare and submit to the appropriate committees of Congress a report on the results of the study conducted in accordance with subparagraph (A).

(j) Definitions- In this section:

(1) COVERED ENTITY- The term 'covered entity' means a small business or a consortium formed in accordance with subsection (d)(3).

(2) INDIAN COMMUNITY- The term 'Indian community' means a community served by an Indian tribe or tribal organization.

(3) INDIAN TRIBE; TRIBAL ORGANIZATION- The terms 'Indian tribe' and 'tribal organization' have the meanings given the terms in section 658P of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858n).

(4) SMALL BUSINESS- The term 'small business' means an employer who employed an average of at least 2 but not more than 50 employees on the business days during the preceding calendar year.

(5) STATE- The term 'State' has the meaning given the term in section 658P of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858n).

(k) Application to Indian Tribes and Tribal Organizations- In this section:

(1) IN GENERAL- Except as provided in subsection (f)(1), and in paragraphs (2) and (3), the term 'State' includes an Indian tribe or tribal organization.

(2) GEOGRAPHIC REFERENCES- The term 'State' includes an Indian community in subsections (c) (the second and third place the term appears), (d)(1) (the second place the term appears), (d)(3)(A) (the second place the term appears), and (i)(1)(A)(i).

(3) STATE-LEVEL ACTIVITIES- The term 'State-level activities' includes activities at the tribal level.

(l) Authorization of Appropriations-

(1) IN GENERAL- There is authorized to be appropriated to carry out this section, \$50,000,000 for the period of fiscal years 2008 through 2012.

(2) STUDIES AND ADMINISTRATION- With respect to the total amount appropriated for such period in accordance with this subsection, not more than \$2,500,000 of that amount may be used for expenditures related to conducting studies required under, and the administration of, this section.

(m) Termination of Program- The program established under subsection (a) shall terminate on September 30, 2012.

SEC. 8304. STUDY OF UNIVERSAL USE OF ADVANCE PAYMENT OF EARNED INCOME CREDIT.

Not later than 180 days after the date of the enactment of this Act, the Secretary of the Treasury shall report to Congress on a study of the benefits, costs, risks, and barriers to workers and to businesses (with a special emphasis on small businesses) if the advance earned income tax credit program (under section 3507 of the Internal Revenue Code of 1986) included all recipients of the earned income tax credit (under section 32 of such Code) and what steps would be necessary to implement such inclusion.

SEC. 8305. RENEWAL GRANTS FOR WOMEN'S BUSINESS CENTERS.

(a) In General- Section 29 of the Small Business Act (15 U.S.C. 656) is amended by adding at the end the following:

‘(m) Continued Funding for Centers-

‘(1) IN GENERAL- A nonprofit organization described in paragraph (2) shall be eligible to receive, subject to paragraph (3), a 3-year grant under this subsection.

‘(2) APPLICABILITY- A nonprofit organization described in this paragraph is a nonprofit organization that has received funding under subsection (b) or (l).

‘(3) APPLICATION AND APPROVAL CRITERIA-

‘(A) CRITERIA- Subject to subparagraph (B), the Administrator shall develop and publish criteria for the

consideration and approval of applications by nonprofit organizations under this subsection.

‘(B) CONTENTS- Except as otherwise provided in this subsection, the conditions for participation in the grant program under this subsection shall be the same as the conditions for participation in the program under subsection (l), as in effect on the date of enactment of this Act.

‘(C) NOTIFICATION- Not later than 60 days after the date of the deadline to submit applications for each fiscal year, the Administrator shall approve or deny any application under this subsection and notify the applicant for each such application.

‘(4) AWARD OF GRANTS-

‘(A) IN GENERAL- Subject to the availability of appropriations, the Administrator shall make a grant for the Federal share of the cost of activities described in the application to each applicant approved under this subsection.

‘(B) AMOUNT- A grant under this subsection shall be for not more than \$150,000, for each year of that grant.

‘(C) FEDERAL SHARE- The Federal share under this subsection shall be not more than 50 percent.

‘(D) PRIORITY- In allocating funds made available for grants under this section, the Administrator shall give applications under this subsection or subsection (l) priority over first-time applications under subsection (b).

‘(5) RENEWAL-

‘(A) IN GENERAL- The Administrator may renew a grant under this subsection for additional 3-year periods, if the nonprofit organization submits an application for such renewal at such time, in such manner, and accompanied by such information as the Administrator may establish.

‘(B) UNLIMITED RENEWALS- There shall be no limitation on the number of times a grant may be renewed under subparagraph (A).

‘(n) Privacy Requirements-

‘(1) IN GENERAL- A women's business center may not disclose the name, address, or telephone number of any individual or small business concern receiving assistance under this section without the consent of such individual or small business concern, unless —

‘(A) the Administrator is ordered to make such a disclosure by a court in any civil or criminal enforcement action initiated by a Federal or State agency; or

‘(B) the Administrator considers such a disclosure to be necessary for the purpose of conducting a financial audit of a women's business center, but a disclosure under this subparagraph shall be limited to the information necessary for such audit.

‘(2) ADMINISTRATION USE OF INFORMATION- This subsection shall not —

‘(A) restrict Administration access to program activity data; or

‘(B) prevent the Administration from using client information (other than the information described in

subparagraph (A)) to conduct client surveys.

‘(3) REGULATIONS- The Administrator shall issue regulations to establish standards for requiring disclosures during a financial audit under paragraph (1)(B).’.

(b) Repeal- Section 29(l) of the Small Business Act (15 U.S.C. 656(l)) is repealed effective October 1 of the first full fiscal year after the date of enactment of this Act.

(c) Transitional Rule- Notwithstanding any other provision of law, a grant or cooperative agreement that was awarded under subsection (l) of section 29 of the Small Business Act (15 U.S.C. 656), on or before the day before the date described in subsection (b) of this section, shall remain in full force and effect under the terms, and for the duration, of such grant or agreement.

SEC. 8306. REPORTS ON ACQUISITIONS OF ARTICLES, MATERIALS, AND SUPPLIES MANUFACTURED OUTSIDE THE UNITED STATES.

Section 2 of the Buy American Act (41 U.S.C. 10a) is amended —

(1) by striking ‘Notwithstanding’ and inserting the following:

‘(a) In General- Notwithstanding’; and

(2) by adding at the end the following:

‘(b) Reports-

‘(1) IN GENERAL- Not later than 180 days after the end of each of fiscal years 2007 through 2011, the head of each Federal agency shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives a report on the amount of the acquisitions made by the agency in that fiscal year of articles, materials, or supplies purchased from entities that manufacture the articles, materials, or supplies outside of the United States.

‘(2) CONTENTS OF REPORT- The report required by paragraph (1) shall separately include, for the fiscal year covered by such report —

‘(A) the dollar value of any articles, materials, or supplies that were manufactured outside the United States;

‘(B) an itemized list of all waivers granted with respect to such articles, materials, or supplies under this Act, and a citation to the treaty, international agreement, or other law under which each waiver was granted;

‘(C) if any articles, materials, or supplies were acquired from entities that manufacture articles, materials, or supplies outside the United States, the specific exception under this section that was used to purchase such articles, materials, or supplies; and

‘(D) a summary of —

‘(i) the total procurement funds expended on articles, materials, and supplies manufactured inside the

United States; and

‘(ii) the total procurement funds expended on articles, materials, and supplies manufactured outside the United States.

‘(3) PUBLIC AVAILABILITY- The head of each Federal agency submitting a report under paragraph (1) shall make the report publicly available to the maximum extent practicable.

‘(4) EXCEPTION FOR INTELLIGENCE COMMUNITY- This subsection shall not apply to acquisitions made by an agency, or component thereof, that is an element of the intelligence community as specified in, or designated under, section 3(4) of the National Security Act of 1947 (50 U.S.C. 401a(4)).’.

* * * * *

Speaker of the House of Representatives.

Vice President of the United States and President of the Senate.