

117TH CONGRESS  
1ST SESSION

# H. R. 3954

To amend the Internal Revenue Code of 1986 to provide disaster tax relief, exclude from gross income amounts received from State-based catastrophe loss mitigation programs, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 2021

Mr. THOMPSON of California introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Small Business, and Agriculture, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide disaster tax relief, exclude from gross income amounts received from State-based catastrophe loss mitigation programs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Disaster Tax Relief  
5 Act of 2021”.

6 **SEC. 2. DEFINITIONS.**

7 For purposes of this Act—

1 (1) QUALIFIED DISASTER AREA.—

2 (A) IN GENERAL.—The term “qualified  
3 disaster area” means any area with respect to  
4 which a major disaster was declared, during the  
5 period beginning on December 28, 2020, and  
6 ending on the date which is 60 days after the  
7 date of the enactment of this Act, by the Presi-  
8 dent under section 401 of the Robert T. Staf-  
9 ford Disaster Relief and Emergency Assistance  
10 Act if the incident period of the disaster with  
11 respect to which such declaration is made be-  
12 gins on or before the date of the enactment of  
13 this Act.

14 (B) COVID–19 EXCEPTION.—Such term  
15 shall not include any area with respect to which  
16 such a major disaster has been so declared only  
17 by reason of COVID–19.

18 (2) QUALIFIED DISASTER ZONE.—The term  
19 “qualified disaster zone” means that portion of any  
20 qualified disaster area which was determined by the  
21 President, during the period beginning on December  
22 28, 2020, and ending on the date which is 60 days  
23 after the date of the enactment of this Act, to war-  
24 rant individual or individual and public assistance  
25 from the Federal Government under the Robert T.

1       Stafford Disaster Relief and Emergency Assistance  
2       Act by reason of the qualified disaster with respect  
3       to such disaster area.

4           (3) QUALIFIED DISASTER.—The term “quali-  
5       fied disaster” means, with respect to any qualified  
6       disaster area, the disaster by reason of which a  
7       major disaster was declared with respect to such  
8       area.

9           (4) INCIDENT PERIOD.—The term “incident pe-  
10      riod” means, with respect to any qualified disaster,  
11      the period specified by the Federal Emergency Man-  
12      agement Agency as the period during which such  
13      disaster occurred (except that for purposes of this  
14      Act such period shall not be treated as beginning be-  
15      fore December 28, 2020, or ending after the date  
16      which is 30 days after the date of the enactment of  
17      this Act).

18   **SEC. 3. SPECIAL DISASTER-RELATED RULES FOR USE OF**  
19                           **RETIREMENT FUNDS.**

20           (a) TAX-FAVORED WITHDRAWALS FROM RETIRE-  
21   MENT PLANS.—

22           (1) IN GENERAL.—Section 72(t) of the Internal  
23       Revenue Code of 1986 shall not apply to any quali-  
24       fied disaster distribution.

25           (2) AGGREGATE DOLLAR LIMITATION.—

1 (A) IN GENERAL.—For purposes of this  
2 subsection, the aggregate amount of distribu-  
3 tions received by an individual which may be  
4 treated as qualified disaster distributions for  
5 any taxable year shall not exceed the excess (if  
6 any) of—

7 (i) \$100,000, over

8 (ii) the aggregate amounts treated as  
9 qualified disaster distributions received by  
10 such individual for all prior taxable years.

11 (B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would  
12 (without regard to subparagraph (A)) be a  
13 qualified disaster distribution, a plan shall not  
14 be treated as violating any requirement of the  
15 Internal Revenue Code of 1986 merely because  
16 the plan treats such distribution as a qualified  
17 disaster distribution, unless the aggregate  
18 amount of such distributions from all plans  
19 maintained by the employer (and any member  
20 of any controlled group which includes the em-  
21 ployer) to such individual exceeds \$100,000.

22 (C) CONTROLLED GROUP.—For purposes  
23 of subparagraph (B), the term “controlled  
24 group” means any group treated as a single  
25

1 employer under subsection (b), (c), (m), or (o)  
2 of section 414 of the Internal Revenue Code of  
3 1986.

4 (D) SPECIAL RULE FOR INDIVIDUALS AF-  
5 FECTED BY MORE THAN ONE DISASTER.—The  
6 limitation of subparagraph (A) shall be applied  
7 separately with respect to distributions made  
8 with respect to each qualified disaster.

9 (3) AMOUNT DISTRIBUTED MAY BE REPAID.—

10 (A) IN GENERAL.—Any individual who re-  
11 ceives a qualified disaster distribution may, at  
12 any time during the 3-year period beginning on  
13 the day after the date on which such distribu-  
14 tion was received, make 1 or more contributions  
15 in an aggregate amount not to exceed the  
16 amount of such distribution to an eligible retire-  
17 ment plan of which such individual is a bene-  
18 ficiary and to which a rollover contribution of  
19 such distribution could be made under section  
20 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or  
21 457(e)(16), of the Internal Revenue Code of  
22 1986, as the case may be.

23 (B) TREATMENT OF REPAYMENTS OF DIS-  
24 TRIBUTIONS FROM ELIGIBLE RETIREMENT  
25 PLANS OTHER THAN IRAS.—For purposes of

1 the Internal Revenue Code of 1986, if a con-  
2 tribution is made pursuant to subparagraph (A)  
3 with respect to a qualified disaster distribution  
4 from an eligible retirement plan other than an  
5 individual retirement plan, then the taxpayer  
6 shall, to the extent of the amount of the con-  
7 tribution, be treated as having received the  
8 qualified disaster distribution in an eligible roll-  
9 over distribution (as defined in section  
10 402(c)(4) of such Code) and as having trans-  
11 ferred the amount to the eligible retirement  
12 plan in a direct trustee to trustee transfer with-  
13 in 60 days of the distribution.

14 (C) TREATMENT OF REPAYMENTS OF DIS-  
15 TRIBUTIONS FROM IRAS.—For purposes of the  
16 Internal Revenue Code of 1986, if a contribu-  
17 tion is made pursuant to subparagraph (A)  
18 with respect to a qualified disaster distribution  
19 from an individual retirement plan (as defined  
20 by section 7701(a)(37) of such Code), then, to  
21 the extent of the amount of the contribution,  
22 the qualified disaster distribution shall be treat-  
23 ed as a distribution described in section  
24 408(d)(3) of such Code and as having been  
25 transferred to the eligible retirement plan in a

1 direct trustee to trustee transfer within 60 days  
2 of the distribution.

3 (4) DEFINITIONS.—For purposes of this sub-  
4 section—

5 (A) QUALIFIED DISASTER DISTRIBUTION.—Except as provided in paragraph (2),  
6 the term “qualified disaster distribution” means  
7 any distribution from an eligible retirement  
8 plan made—  
9

10 (i) on or after the first day of the in-  
11 cident period of a qualified disaster and  
12 before the date which is 180 days after the  
13 date of the enactment of this Act, and

14 (ii) to an individual whose principal  
15 place of abode at any time during the inci-  
16 dent period of such qualified disaster is lo-  
17 cated in the qualified disaster area with re-  
18 spect to such qualified disaster and who  
19 has sustained an economic loss by reason  
20 of such qualified disaster.

21 (B) ELIGIBLE RETIREMENT PLAN.—The  
22 term “eligible retirement plan” shall have the  
23 meaning given such term by section  
24 402(c)(8)(B) of the Internal Revenue Code of  
25 1986.

1           (5) INCOME INCLUSION SPREAD OVER 3-YEAR  
2       PERIOD.—

3           (A) IN GENERAL.—In the case of any  
4       qualified disaster distribution, unless the tax-  
5       payer elects not to have this paragraph apply  
6       for any taxable year, any amount required to be  
7       included in gross income for such taxable year  
8       shall be so included ratably over the 3-taxable-  
9       year period beginning with such taxable year.

10          (B) SPECIAL RULE.—For purposes of sub-  
11       paragraph (A), rules similar to the rules of sub-  
12       paragraph (E) of section 408A(d)(3) of the In-  
13       ternal Revenue Code of 1986 shall apply.

14       (6) SPECIAL RULES.—

15          (A) EXEMPTION OF DISTRIBUTIONS FROM  
16       TRUSTEE TO TRUSTEE TRANSFER AND WITH-  
17       HOLDING RULES.—For purposes of sections  
18       401(a)(31), 402(f), and 3405 of the Internal  
19       Revenue Code of 1986, qualified disaster dis-  
20       tributions shall not be treated as eligible roll-  
21       over distributions.

22          (B) QUALIFIED DISASTER DISTRIBUTIONS  
23       TREATED AS MEETING PLAN DISTRIBUTION RE-  
24       QUIREMENTS.—For purposes the Internal Rev-  
25       enue Code of 1986, a qualified disaster dis-



1           tribution shall be treated as meeting the re-  
2           quirements of sections 401(k)(2)(B)(i),  
3           403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A)  
4           of such Code.

5           (b) RECONTRIBUTIONS OF WITHDRAWALS FOR  
6 HOME PURCHASES.—

7           (1) RECONTRIBUTIONS.—

8                   (A) IN GENERAL.—Any individual who re-  
9           ceived a qualified distribution may, during the  
10          applicable period, make 1 or more contributions  
11          in an aggregate amount not to exceed the  
12          amount of such qualified distribution to an eli-  
13          gible retirement plan (as defined in section  
14          402(c)(8)(B) of the Internal Revenue Code of  
15          1986) of which such individual is a beneficiary  
16          and to which a rollover contribution of such dis-  
17          tribution could be made under section 402(c),  
18          403(a)(4), 403(b)(8), or 408(d)(3), of such  
19          Code, as the case may be.

20                  (B) TREATMENT OF REPAYMENTS.—Rules  
21          similar to the rules of subparagraphs (B) and  
22          (C) of subsection (a)(3) shall apply for purposes  
23          of this subsection.

1           (2) QUALIFIED DISTRIBUTION.—For purposes  
2 of this subsection, the term “qualified distribution”  
3 means any distribution—

4                   (A)           described           in           section  
5                   401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but only  
6                   to the extent such distribution relates to finan-  
7                   cial hardship), 403(b)(11)(B), or 72(t)(2)(F),  
8                   of the Internal Revenue Code of 1986,

9                   (B) which was to be used to purchase or  
10                  construct a principal residence in a qualified  
11                  disaster area, but which was not so used on ac-  
12                  count of the qualified disaster with respect to  
13                  such area, and

14                  (C) which was received during the period  
15                  beginning on the date which is 180 days before  
16                  the first day of the incident period of such  
17                  qualified disaster and ending on the date which  
18                  is 30 days after the last day of such incident  
19                  period.

20           (3) APPLICABLE PERIOD.—For purposes of this  
21 subsection, the term “applicable period” means, in  
22 the case of a principal residence in a qualified dis-  
23 aster area with respect to any qualified disaster, the  
24 period beginning on the first day of the incident pe-  
25 riod of such qualified disaster and ending on the

1 date which is 180 days after the date of the enact-  
2 ment of this Act.

3 (c) LOANS FROM QUALIFIED PLANS.—

4 (1) INCREASE IN LIMIT ON LOANS NOT TREAT-  
5 ED AS DISTRIBUTIONS.—In the case of any loan  
6 from a qualified employer plan (as defined under  
7 section 72(p)(4) of the Internal Revenue Code of  
8 1986) to a qualified individual made during the 180-  
9 day period beginning on the date of the enactment  
10 of this Act—

11 (A) clause (i) of section 72(p)(2)(A) of  
12 such Code shall be applied by substituting  
13 “\$100,000” for “\$50,000”, and

14 (B) clause (ii) of such section shall be ap-  
15 plied by substituting “the present value of the  
16 nonforfeitable accrued benefit of the employee  
17 under the plan” for “one-half of the present  
18 value of the nonforfeitable accrued benefit of  
19 the employee under the plan”.

20 (2) DELAY OF REPAYMENT.—In the case of a  
21 qualified individual (with respect to any qualified  
22 disaster) with an outstanding loan (on or after the  
23 first day of the incident period of such qualified dis-  
24 aster) from a qualified employer plan (as defined in

1 section 72(p)(4) of the Internal Revenue Code of  
2 1986)—

3 (A) if the due date pursuant to subpara-  
4 graph (B) or (C) of section 72(p)(2) of such  
5 Code for any repayment with respect to such  
6 loan occurs during the period beginning on the  
7 first day of the incident period of such qualified  
8 disaster and ending on the date which is 180  
9 days after the last day of such incident period,  
10 such due date shall be delayed for 1 year (or,  
11 if later, until the date which is 180 days after  
12 the date of the enactment of this Act),

13 (B) any subsequent repayments with re-  
14 spect to any such loan shall be appropriately  
15 adjusted to reflect the delay in the due date  
16 under subparagraph (A) and any interest accru-  
17 ing during such delay, and

18 (C) in determining the 5-year period and  
19 the term of a loan under subparagraph (B) or  
20 (C) of section 72(p)(2) of such Code, the period  
21 described in subparagraph (A) of this para-  
22 graph shall be disregarded.

23 (3) QUALIFIED INDIVIDUAL.—For purposes of  
24 this subsection, the term “qualified individual”  
25 means any individual—

1 (A) whose principal place of abode at any  
 2 time during the incident period of any qualified  
 3 disaster is located in the qualified disaster area  
 4 with respect to such qualified disaster, and

5 (B) who has sustained an economic loss by  
 6 reason of such qualified disaster.

7 (d) PROVISIONS RELATING TO PLAN AMEND-  
 8 MENTS.—

9 (1) IN GENERAL.—If this subsection applies to  
 10 any amendment to any plan or annuity contract,  
 11 such plan or contract shall be treated as being oper-  
 12 ated in accordance with the terms of the plan during  
 13 the period described in paragraph (2)(B)(i).

14 (2) AMENDMENTS TO WHICH SUBSECTION AP-  
 15 PLIES.—

16 (A) IN GENERAL.—This subsection shall  
 17 apply to any amendment to any plan or annuity  
 18 contract which is made—

19 (i) pursuant to any provision of this  
 20 section, or pursuant to any regulation  
 21 issued by the Secretary or the Secretary of  
 22 Labor under any provision of this section,  
 23 and

24 (ii) on or before the last day of the  
 25 first plan year beginning on or after Janu-

1           ary 1, 2021, or such later date as the Sec-  
2           retary may prescribe.

3           In the case of a governmental plan (as defined  
4           in section 414(d) of the Internal Revenue Code  
5           of 1986), clause (ii) shall be applied by sub-  
6           stituting the date which is 2 years after the  
7           date otherwise applied under clause (ii).

8           (B) CONDITIONS.—This subsection shall  
9           not apply to any amendment unless—

10           (i) during the period—

11           (I) beginning on the date that  
12           this section or the regulation de-  
13           scribed in subparagraph (A)(i) takes  
14           effect (or in the case of a plan or con-  
15           tract amendment not required by this  
16           section or such regulation, the effec-  
17           tive date specified by the plan), and

18           (II) ending on the date described  
19           in subparagraph (A)(ii) (or, if earlier,  
20           the date the plan or contract amend-  
21           ment is adopted),

22           the plan or contract is operated as if such plan  
23           or contract amendment were in effect, and

24           (ii) such plan or contract amendment  
25           applies retroactively for such period.

1 **SEC. 4. EMPLOYEE RETENTION CREDIT FOR EMPLOYERS**  
2 **AFFECTED BY QUALIFIED DISASTERS.**

3 (a) IN GENERAL.—For purposes of section 38 of the  
4 Internal Revenue Code of 1986, in the case of an eligible  
5 employer, the 2021 qualified disaster employee retention  
6 credit shall be treated as a credit listed at the end of sub-  
7 section (b) of such section. For purposes of this sub-  
8 section, the 2021 qualified disaster employee retention  
9 credit for any taxable year is an amount equal to 40 per-  
10 cent of the qualified wages with respect to each eligible  
11 employee of such employer for such taxable year. The  
12 amount of qualified wages with respect to any employee  
13 which may be taken into account under this subsection  
14 by the employer for any taxable year shall not exceed  
15 \$6,000 (reduced by the amount of qualified wages with  
16 respect to such employee which may be so taken into ac-  
17 count for any prior taxable year).

18 (b) DEFINITIONS.—For purposes of this section—

19 (1) ELIGIBLE EMPLOYER.—The term “eligible  
20 employer” means any employer—

21 (A) which conducted an active trade or  
22 business in a qualified disaster zone at any time  
23 during the incident period of the qualified dis-  
24 aster with respect to such qualified disaster  
25 zone, and

1 (B) with respect to whom the trade or  
2 business described in subparagraph (A) is inop-  
3 erable at any time during the period beginning  
4 on the first day of the incident period of such  
5 qualified disaster and ending on the date of the  
6 enactment of this Act, as a result of damage  
7 sustained by reason of such qualified disaster.

8 (2) ELIGIBLE EMPLOYEE.—The term “eligible  
9 employee” means with respect to an eligible em-  
10 ployer an employee whose principal place of employ-  
11 ment with such eligible employer (determined imme-  
12 diately before the qualified disaster referred to in  
13 paragraph (1)) was in the qualified disaster zone re-  
14 ferred to in such paragraph.

15 (3) QUALIFIED WAGES.—The term “qualified  
16 wages” means wages (as defined in section 51(c)(1)  
17 of the Internal Revenue Code of 1986, but without  
18 regard to section 3306(b)(2)(B) of such Code) paid  
19 or incurred by an eligible employer with respect to  
20 an eligible employee at any time on or after the date  
21 on which the trade or business described in para-  
22 graph (1) first became inoperable at the principal  
23 place of employment of the employee (determined  
24 immediately before the qualified disaster referred to  
25 in such paragraph) and before the earlier of—



1 (A) the date on which such trade or busi-  
2 ness has resumed significant operations at such  
3 principal place of employment, or

4 (B) the date which 150 days after the last  
5 day of the incident period of the qualified dis-  
6 aster referred to in paragraph (1).

7 Such term shall include wages paid without regard  
8 to whether the employee performs no services, per-  
9 forms services at a different place of employment  
10 than such principal place of employment, or per-  
11 forms services at such principal place of employment  
12 before significant operations have resumed. Such  
13 term shall not include any wages taken into account  
14 under section 2301 of the Coronavirus Aid, Relief,  
15 and Economic Security Act.

16 (c) SPECIAL RULES.—

17 (1) EMPLOYEE NOT TAKEN INTO ACCOUNT  
18 MORE THAN ONCE.—An employee shall not be treat-  
19 ed as an eligible employee for purposes of this sub-  
20 section for any period with respect to any employer  
21 if such employer is allowed a credit under section 51  
22 of the Internal Revenue Code of 1986 with respect  
23 to such employee for such period.

24 (2) DENIAL OF DOUBLE BENEFIT.—Any wages  
25 taken into account in determining the credit allowed

1 under this section shall not be taken into account as  
2 wages for purposes of sections 41, 45A, 45P, 45S,  
3 51, and 1396 of the Internal Revenue Code of 1986.

4 (3) CERTAIN OTHER RULES TO APPLY.—For  
5 purposes of this subsection, rules similar to the rules  
6 of sections 51(i)(1), 52, and 280C(a), of the Internal  
7 Revenue Code of 1986, shall apply.

8 (d) ELECTION TO NOT TAKE CERTAIN WAGES INTO  
9 ACCOUNT.—

10 (1) IN GENERAL.—This section shall not apply  
11 to qualified wages paid by an eligible employer with  
12 respect to which such employer makes an election  
13 (at such time and in such manner as the Secretary  
14 may prescribe) to have this section not apply to such  
15 wages.

16 (2) COORDINATION WITH PAYCHECK PROTEC-  
17 TION PROGRAM.—The Secretary, in consultation  
18 with the Administrator of the Small Business Ad-  
19 ministration, shall issue guidance providing that  
20 payroll costs paid or incurred during the covered pe-  
21 riod shall not fail to be treated as qualified wages  
22 under this section by reason of an election under  
23 paragraph (1) to the extent that a covered loan of  
24 the eligible employer is not forgiven by reason of a  
25 decision under section 1106(g) of the CARES Act.

1 Terms used in the preceding sentence which are also  
2 used in section 1106 of such Act shall have the same  
3 meaning as when used in such section.

4 (e) AMENDMENT TO PAYCHECK PROTECTION PRO-  
5 GRAM.—Section 1106(a)(8) of the CARES Act is amended  
6 by inserting “, except that such costs shall not include  
7 qualified wages taken into account in determining the  
8 credit allowed under section 4 of the Disaster Tax Relief  
9 Act of 2021” before the period at the end.

10 **SEC. 5. OTHER DISASTER-RELATED TAX RELIEF PROVI-**  
11 **SIONS.**

12 (a) SPECIAL RULES FOR QUALIFIED DISASTER RE-  
13 LIEF CONTRIBUTIONS.—

14 (1) IN GENERAL.—In the case of a qualified  
15 disaster relief contribution made by a corporation—

16 (A) section 2205(a)(2)(B) of the CARES  
17 Act shall be applied first to qualified contribu-  
18 tions without regard to any qualified disaster  
19 relief contributions and then separately to such  
20 qualified disaster relief contribution, and

21 (B) in applying such section to such quali-  
22 fied disaster relief contributions, clause (i)  
23 thereof shall be applied—

24 (i) by substituting “100 percent” for  
25 “25 percent”, and

1 (ii) by treating qualified contributions  
2 other than qualified disaster relief con-  
3 tributions as contributions allowed under  
4 section 170(b)(2) of the Internal Revenue  
5 Code of 1986.

6 (2) QUALIFIED DISASTER RELIEF CONTRIBU-  
7 TION.—For purposes of this subsection, the term  
8 “qualified disaster relief contribution” means any  
9 qualified contribution (as defined in section  
10 2205(a)(3) of the CARES Act) if—

11 (A) such contribution—

12 (i) is paid, during the period begin-  
13 ning on December 28, 2020, and ending  
14 on the date which is 60 days after the date  
15 of the enactment of this Act, and

16 (ii) is made for relief efforts in one or  
17 more qualified disaster areas,

18 (B) the taxpayer obtains from such organi-  
19 zation contemporaneous written acknowledg-  
20 ment (within the meaning of section 170(f)(8)  
21 of such Code) that such contribution was used  
22 (or is to be used) for relief efforts described in  
23 subparagraph (A)(ii), and

1 (C) the taxpayer has elected the applica-  
 2 tion of this subsection with respect to such con-  
 3 tribution.

4 (b) SPECIAL RULES FOR QUALIFIED DISASTER-RE-  
 5 LATED PERSONAL CASUALTY LOSSES.—

6 (1) IN GENERAL.—If an individual has a net  
 7 disaster loss for any taxable year—

8 (A) the amount determined under section  
 9 165(h)(2)(A)(ii) of the Internal Revenue Code  
 10 of 1986 shall be equal to the sum of—

11 (i) such net disaster loss, and  
 12 (ii) so much of the excess referred to  
 13 in the matter preceding clause (i) of sec-  
 14 tion 165(h)(2)(A) of such Code (reduced  
 15 by the amount in clause (i) of this sub-  
 16 paragraph) as exceeds 10 percent of the  
 17 adjusted gross income of the individual,

18 (B) in the case of qualified disaster-related  
 19 personal casualty losses, section 165(h)(1) of  
 20 such Code shall be applied to by substituting  
 21 “\$500” for “\$500 (\$100 for taxable years be-  
 22 ginning after December 31, 2009)”,

23 (C) the standard deduction determined  
 24 under section 63(c) of such Code shall be in-  
 25 creased by the net disaster loss, and

1 (D) section 56(b)(1)(E) of such Code shall  
2 not apply to so much of the standard deduction  
3 as is attributable to the increase under sub-  
4 paragraph (C) of this paragraph.

5 (2) NET DISASTER LOSS.—For purposes of this  
6 subsection, the term “net disaster loss” means the  
7 excess of qualified disaster-related personal casualty  
8 losses over personal casualty gains (as defined in  
9 section 165(h)(3)(A) of the Internal Revenue Code  
10 of 1986).

11 (3) QUALIFIED DISASTER-RELATED PERSONAL  
12 CASUALTY LOSSES.—For purposes of this sub-  
13 section, the term “qualified disaster-related personal  
14 casualty losses” means losses described in section  
15 165(c)(3) of the Internal Revenue Code of 1986  
16 which arise in a qualified disaster area on or after  
17 the first day of the incident period of the qualified  
18 disaster to which such area relates, and which are  
19 attributable to such qualified disaster.

20 **SEC. 6. TREATMENT OF CERTAIN POSSESSIONS.**

21 (a) PAYMENTS TO POSSESSIONS WITH MIRROR  
22 CODE TAX SYSTEMS.—The Secretary of the Treasury  
23 shall pay to each possession of the United States which  
24 has a mirror code tax system amounts equal to the loss  
25 (if any) to that possession by reason of the application

1 of the provisions of this Act. Such amounts shall be deter-  
2 mined by the Secretary of the Treasury based on informa-  
3 tion provided by the government of the respective posses-  
4 sion.

5 (b) PAYMENTS TO OTHER POSSESSIONS.—The Sec-  
6 retary of the Treasury shall pay to each possession of the  
7 United States which does not have a mirror code tax sys-  
8 tem amounts estimated by the Secretary of the Treasury  
9 as being equal to the aggregate benefits (if any) that  
10 would have been provided to residents of such possession  
11 by reason of the provisions of this Act if a mirror code  
12 tax system had been in effect in such possession. The pre-  
13 ceding sentence shall not apply unless the respective pos-  
14 session has a plan, which has been approved by the Sec-  
15 retary of the Treasury, under which such possession will  
16 promptly distribute such payments to its residents.

17 (c) MIRROR CODE TAX SYSTEM.—For purposes of  
18 this section, the term “mirror code tax system” means,  
19 with respect to any possession of the United States, the  
20 income tax system of such possession if the income tax  
21 liability of the residents of such possession under such sys-  
22 tem is determined by reference to the income tax laws of  
23 the United States as if such possession were the United  
24 States.

1 (d) TREATMENT OF PAYMENTS.—For purposes of  
 2 section 1324 of title 31, United States Code, the payments  
 3 under this section shall be treated in the same manner  
 4 as a refund due from a credit provision referred to in sub-  
 5 section (b)(2) of such section.

6 **SEC. 7. EXCLUSION OF AMOUNTS RECEIVED FROM STATE-**  
 7 **BASED CATASTROPHE LOSS MITIGATION**  
 8 **PROGRAMS.**

9 (a) IN GENERAL.—Section 139 of the Internal Rev-  
 10 enue Code of 1986 is amended by redesignating subsection  
 11 (h) as subsection (i) and by inserting after subsection (g)  
 12 the following new subsection:

13 “(h) STATE-BASED CATASTROPHE LOSS MITIGATION  
 14 PROGRAMS.—

15 “(1) IN GENERAL.—Gross income shall not in-  
 16 clude any amount received by an individual as a  
 17 qualified catastrophe mitigation payment under a  
 18 program established by a State, or a political sub-  
 19 division or instrumentality thereof, for the purpose  
 20 of making such payments.

21 “(2) QUALIFIED CATASTROPHE MITIGATION  
 22 PAYMENT.—For purposes of this section, the term  
 23 ‘qualified catastrophe mitigation payment’ means  
 24 any amount which is received by an individual to  
 25 make improvements to such individual’s residence



1 for the sole purpose of reducing the damage that  
2 would be done to such residence by a windstorm,  
3 earthquake, or wildfire.

4 “(3) NO INCREASE IN BASIS.—Rules similar to  
5 the rules of subsection (g)(3) shall apply in the case  
6 of this subsection.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 139(d) is amended by striking “and  
9 qualified” and inserting “, qualified catastrophe  
10 mitigation payments, and qualified”.

11 (2) Section 139(i) (as redesignated by sub-  
12 section (a)) is amended by striking “or qualified”  
13 and inserting “, qualified catastrophe mitigation  
14 payment, or qualified”.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 2020.

18 **SEC. 8. EXCLUSION FROM GROSS INCOME OF CERTAIN**  
19 **EMERGENCY AGRICULTURAL ASSISTANCE.**

20 (a) IN GENERAL.—Section 139 of the Internal Rev-  
21 enue Code of 1986, as amended by the preceding provi-  
22 sions of this Act, is amended by redesignating subsection  
23 (i) as subsection (j) and by inserting after subsection (h)  
24 the following new subsection:

1       “(i) CERTAIN AGRICULTURAL ASSISTANCE.—For  
2 purposes of this section, the term ‘qualified disaster relief  
3 payment’ shall include any assistance received under any  
4 of the following:

5           “(1) Assistance received under the Wildfires  
6 and Hurricanes Indemnity Program Plus under sub-  
7 part O of part 760 of title 7, Code of Federal Regu-  
8 lations.

9           “(2) Assistance received under section 1501 of  
10 the Agricultural Act of 2014 (7 U.S.C. 9081).

11          “(3) Noninsured crop assistance under section  
12 196 of the Federal Agriculture Improvement and  
13 Reform Act of 1996 (7 U.S.C. 7333).

14          “(4) Assistance under a food assistance pro-  
15 gram under part 9 of title 7, Code of Federal Regu-  
16 lations.

17          “(5) Assistance under title IV of the Agricul-  
18 tural Credit Act of 1978 (16 U.S.C. 2201 et seq.).

19          “(6) Assistance under the Quality Loss Assist-  
20 ance Program.”.

21       (b) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 2020.

1 **SEC. 9. SENSE OF CONGRESS REGARDING DISASTER LOAN**  
2 **PROCESSING.**

3 It is the sense of Congress that the Administrator  
4 of the Small Business Administration should use district  
5 offices of the Administration whenever possible to expedite  
6 the processing of disaster loans under section 7(b) of the  
7 Small Business Act (15 U.S.C. 636(b)).

8 **SEC. 10. SMALL BUSINESS DEVELOPMENT CENTER PORT-**  
9 **ABILITY GRANTS.**

10 Section 21(a)(4)(C)(viii) of the Small Business Act  
11 (15 U.S.C. 648(a)(4)(C)(viii)) is amended—

12 (1) in the first sentence, by striking “as a re-  
13 sult of a business or government facility down sizing  
14 or closing, which has resulted in the loss of jobs or  
15 small business instability” and inserting “due to  
16 events that have resulted or will result in a business  
17 or government facility downsizing or closing”; and

18 (2) by adding at the end the following: “At the  
19 discretion of the Administrator, the Administrator  
20 may make an award greater than \$100,000 to a re-  
21 cipient to accommodate extraordinary occurrences  
22 having a catastrophic impact on the small business  
23 concerns in a community.”.

1 **SEC. 11. DISASTER ASSISTANCE TO CRITICAL ENTER-**  
2 **PRISES.**

3 Section 237 of the Disaster Relief Act of 1970 (15  
4 U.S.C. 636d) is amended—

5 (1) by redesignating subsection (b) as sub-  
6 section (c); and

7 (2) in subsection (a)—

8 (A) by striking “Farmers Home Adminis-  
9 tration” and inserting “Farm Service Agency”;

10 (B) by striking “major disaster” and in-  
11 serting “major disaster or is vital to recovery  
12 efforts in the disaster area (including providing  
13 debris removal services, manufactured housing,  
14 gasoline, telecommunications, or building mate-  
15 rials),”; and

16 (C) by striking “Loans authorized” and all  
17 that follows through “pursuant thereto.” and  
18 inserting the following:

19 “(b) TERMS AND CONDITIONS.—Notwithstanding  
20 any other provision of law, loans authorized by this sec-  
21 tion—

22 “(1) shall be made without regard to limitations  
23 on the size of loans which may otherwise be imposed  
24 by any other provision of law or regulations promul-  
25 gated pursuant thereto; and

1           “(2) may waive any required evaluation of cred-  
 2           itworthiness in exchange for a fee, as set by the  
 3           Small Business Administration or the Farm Service  
 4           Agency, as applicable.”.

5   **SEC. 12. CREDIT FOR QUALIFIED WILDFIRE MITIGATION**  
 6                   **EXPENDITURES.**

7           (a) IN GENERAL.—Subpart B of part IV of sub-  
 8           chapter A of chapter 1 of the Internal Revenue Code of  
 9           1986 is amended by inserting after section 27 the fol-  
 10          lowing new section:

11   **“SEC. 28. QUALIFIED WILDFIRE MITIGATION EXPENDI-**  
 12                   **TURES.**

13          “(a) IN GENERAL.—There shall be allowed as a cred-  
 14          it against the tax imposed by this chapter for the taxable  
 15          year an amount equal to 30 percent of the qualified wild-  
 16          fire mitigation expenditures paid or incurred by the tax-  
 17          payer during such taxable year with respect to real prop-  
 18          erty owned or leased by the taxpayer.

19          “(b) QUALIFIED WILDFIRE MITIGATION EXPENDI-  
 20          TURES.—For purposes of this section—

21               “(1) IN GENERAL.—The term ‘qualified wildfire  
 22               mitigation expenditures’ means any specified wildfire  
 23               mitigation expenditure made pursuant to a qualified  
 24               State wildfire mitigation program of a State which  
 25               requires expenditures for wildfire mitigation to be

1       paid both by the taxpayer and such State. Such  
2       term shall not include any item of expenditure un-  
3       less the ratio of the State's expenditure for such  
4       item to the sum of the State's and taxpayer's ex-  
5       penditures for such item is not less than 25 percent.

6           “(2) SPECIFIED WILDFIRE MITIGATION EX-  
7       PENDITURE.—The term ‘specified wildfire mitigation  
8       expenditure’ means, with respect to any real prop-  
9       erty owned or leased by the taxpayer, any amount  
10      paid or incurred to reduce the risk of wildfire by re-  
11      moving accumulations of vegetation (including estab-  
12      lishing, expanding, or maintaining fuel breaks to  
13      serve as fire breaks) on such real property.

14          “(3) QUALIFIED STATE WILDFIRE MITIGATION  
15      PROGRAM.—The term ‘qualified State wildfire miti-  
16      gation program’ means any program of a State the  
17      primary purpose of which is to mitigate the risk of  
18      wildfires in such State.

19          “(4) TREATMENT OF REIMBURSEMENTS.—Any  
20      amount originally paid or incurred by the taxpayer  
21      which is reimbursed by a State under a qualified  
22      wildfire mitigation program of such State shall be  
23      treated as paid by such State (and not by such tax-  
24      payer).

25          “(c) APPLICATION WITH OTHER CREDITS.—

1           “(1) BUSINESS CREDIT TREATED AS PART OF  
2       GENERAL BUSINESS CREDIT.—So much of the credit  
3       which would be allowed under subsection (a) for any  
4       taxable year (determined without regard to this sub-  
5       section) that is attributable to expenditures made in  
6       the ordinary course of the taxpayer’s trade or busi-  
7       ness (or, in the case of expenditures made by a  
8       State, would have been expenditures made in the or-  
9       dinary course of the taxpayer’s trade or business if  
10      made by the taxpayer) shall be treated as a credit  
11      listed in section 38(b) for taxable year (and not al-  
12      lowed under subsection (a)).

13           “(2) PERSONAL CREDIT.—For purposes of this  
14      title, the credit allowed under subsection (a) for any  
15      taxable year (determined after application of para-  
16      graph (1)) shall be treated as a credit allowable  
17      under subpart A for such taxable year.

18           “(d) REDUCTION OF CREDIT PERCENTAGE WHERE  
19      TAXPAYER EXPENDITURES LESS THAN 30 PERCENT.—

20           “(1) IN GENERAL.—If the expenditure percent-  
21      age with respect to any item of qualified wildfire  
22      mitigation expenditure is less than 30 percent, sub-  
23      section (a) shall be applied by substituting ‘the ex-  
24      penditure percentage’ for ‘30 percent’ with respect  
25      to such item of expenditure.

1           “(2) EXPENDITURE PERCENTAGE.—For pur-  
 2           poses of this section, the term ‘expenditure percent-  
 3           age’ means, with respect to any item of qualified  
 4           wildfire mitigation expenditure any portion of which  
 5           is paid or incurred by a State, the ratio (expressed  
 6           as a percentage) of—

7                       “(A) the taxpayer’s expenditure for such  
 8                       item, divided by

9                       “(B) the sum of the taxpayer’s and such  
 10                      State’s expenditures for such item.

11           “(e) SPECIAL RULES.—

12                      “(1) TREATMENT OF EXPENDITURES RELATED  
 13                      TO MARKETABLE TIMBER.—An expenditure shall not  
 14                      be taken into account for purposes of this section  
 15                      (whether made by the taxpayer or a State pursuant  
 16                      to a qualified State wildfire mitigation program of  
 17                      such State) if such expenditure is properly allocable  
 18                      to timber which is sold or exchanged by the tax-  
 19                      payer. The preceding sentence shall not apply to the  
 20                      extent that such amount exceeds the gain on such  
 21                      sale or exchange.

22                      “(2) BASIS REDUCTION.—For purposes of this  
 23                      subtitle, if the basis of any property would (but for  
 24                      this paragraph) be determined by taking into ac-  
 25                      count any qualified wildfire mitigation expenditure,



1 the basis of such property shall be reduced by the  
 2 amount of the credit allowed under subsection (a)  
 3 with respect to such expenditure (determined with-  
 4 out regard to subsection (c)).

5 “(3) DENIAL OF DOUBLE BENEFIT.—The  
 6 amount of any deduction or other credit allowable  
 7 under this chapter for any expenditure for which a  
 8 credit is allowable under subsection (a) shall be re-  
 9 duced by the amount of credit allowed under such  
 10 subsection for such expenditure (determined without  
 11 regard to subsection (c)).”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Section 38(b) of such Code is amended by  
 14 striking “plus” at the end of paragraph (32), by  
 15 striking the period at the end of paragraph (33) and  
 16 inserting “, plus”, and by adding at the end the fol-  
 17 lowing new paragraph:

18 “(34) the portion of the qualified wildfire miti-  
 19 gation expenditures credit to which section 28(c)(1)  
 20 applies.”.

21 (2) Section 1016(a) of such Code is amended  
 22 by redesignating paragraphs (35) through (38) as  
 23 paragraphs (36) through (39), respectively, and by  
 24 inserting after paragraph (34) the following new  
 25 paragraph:

1           “(35) to the extent provided in section  
2       28(e)(2),”.

3           (3) The table of sections for subpart B of part  
4       IV of subchapter A of chapter 1 of such Code is  
5       amended by inserting after the item relating to sec-  
6       tion 27 the following new item:

          “Sec. 28. Qualified wildfire mitigation expenditures.”.

7       (c) EFFECTIVE DATE.—The amendments made by  
8       this section shall apply to expenditures paid or incurred  
9       after the date of the enactment of this Act, in taxable  
10      years ending after such date.

○