

Exhibit 74

(H) APPLICATION OF EGTRRA SUNSET.—The amendments made by this paragraph (and each part thereof) shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 in the same manner as the provisions of such Act to which such amendment (or part thereof) relates. 26 USC 23 note.

(4) Subsection (b) of section 1335 of the Energy Policy Act of 2005 is amended by striking paragraphs (1), (2), and (3). The Internal Revenue Code of 1986 shall be applied and administered as if the amendments made such paragraphs had never been enacted. *Ante*, p. 1033. Applicability.

(j) AMENDMENT RELATED TO SECTION 1341.—Paragraph (6) of section 30B(h) is amended by adding at the end the following sentence: “For purposes of subsection (g), property to which this paragraph applies shall be treated as of a character subject to an allowance for depreciation.”. 26 USC 30B.

(k) AMENDMENT RELATED TO SECTION 1342.—Paragraph (2) of section 30C(e) is amended by adding at the end the following sentence: “For purposes of subsection (d), property to which this paragraph applies shall be treated as of a character subject to an allowance for depreciation.”.

(l) AMENDMENTS RELATED TO SECTION 1351.—

(1) Paragraph (6) of section 41(f) (relating to special rules) is amended by adding at the end the following:

“(C) FOREIGN RESEARCH.—For purposes of subsection (a)(3), amounts paid or incurred for any energy research conducted outside the United States, the Commonwealth of Puerto Rico, or any possession of the United States shall not be taken into account.

“(D) DENIAL OF DOUBLE BENEFIT.—Any amount taken into account under subsection (a)(3) shall not be taken into account under paragraph (1) or (2) of subsection (a).”.

(2) Clause (ii) of section 41(b)(3)(C) is amended by striking “(other than an energy research consortium)”.

(m) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall take effect as if included in the provisions of the Energy Policy Act of 2005 to which they relate. 26 USC 23 note.

(2) REPEAL OF PUBLIC UTILITY HOLDING COMPANY ACT OF 1935.—The amendments made by subsection (a) shall not apply with respect to any transaction ordered in compliance with the Public Utility Holding Company Act of 1935 before its repeal.

(3) COORDINATION OF PERSONAL CREDITS.—The amendments made by subsection (i)(3) shall apply to taxable years beginning after December 31, 2005.

SEC. 403. AMENDMENTS RELATED TO THE AMERICAN JOBS CREATION ACT OF 2004.

(a) AMENDMENTS RELATED TO SECTION 102 OF THE ACT.—

(1) Paragraph (1) of section 199(b) is amended by striking “the employer” and inserting “the taxpayer”.

(2) Paragraph (2) of section 199(b) is amended to read as follows:

“(2) W-2 WAGES.—For purposes of this section, the term ‘W-2 wages’ means, with respect to any person for any taxable year of such person, the sum of the amounts described in

paragraphs (3) and (8) of section 6051(a) paid by such person with respect to employment of employees by such person during the calendar year ending during such taxable year. Such term shall not include any amount which is not properly included in a return filed with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return.”.

26 USC 199.

(3) Subparagraph (B) of section 199(c)(1) is amended by inserting “and” at the end of clause (i), by striking clauses (ii) and (iii), and by inserting after clause (i) the following:

“(ii) other expenses, losses, or deductions (other than the deduction allowed under this section), which are properly allocable to such receipts.”.

(4) Paragraph (2) of section 199(c) is amended to read as follows:

Regulations.

“(2) ALLOCATION METHOD.—The Secretary shall prescribe rules for the proper allocation of items described in paragraph (1) for purposes of determining qualified production activities income. Such rules shall provide for the proper allocation of items whether or not such items are directly allocable to domestic production gross receipts.”.

(5) Subparagraph (A) of section 199(c)(4) is amended by striking clauses (ii) and (iii) and inserting the following new clauses:

“(ii) in the case of a taxpayer engaged in the active conduct of a construction trade or business, construction of real property performed in the United States by the taxpayer in the ordinary course of such trade or business, or

“(iii) in the case of a taxpayer engaged in the active conduct of an engineering or architectural services trade or business, engineering or architectural services performed in the United States by the taxpayer in the ordinary course of such trade or business with respect to the construction of real property in the United States.”.

(6) Subparagraph (B) of section 199(c)(4) is amended by striking “and” 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:

“(iii) the lease, rental, license, sale, exchange, or other disposition of land.”.

(7) Paragraph (4) of section 199(c) is amended by adding at the end the following new subparagraphs:

“(C) SPECIAL RULE FOR CERTAIN GOVERNMENT CONTRACTS.—Gross receipts derived from the manufacture or production of any property described in subparagraph (A)(i)(I) shall be treated as meeting the requirements of subparagraph (A)(i) if—

“(i) such property is manufactured or produced by the taxpayer pursuant to a contract with the Federal Government, and

“(ii) the Federal Acquisition Regulation requires that title or risk of loss with respect to such property be transferred to the Federal Government before the manufacture or production of such property is complete.

“(D) PARTNERSHIPS OWNED BY EXPANDED AFFILIATED GROUPS.—For purposes of this paragraph, if all of the interests in the capital and profits of a partnership are owned by members of a single expanded affiliated group at all times during the taxable year of such partnership, the partnership and all members of such group shall be treated as a single taxpayer during such period.”.

(8) Paragraph (1) of section 199(d) is amended to read as follows: 26 USC 199.

“(1) APPLICATION OF SECTION TO PASS-THRU ENTITIES.—

“(A) PARTNERSHIPS AND S CORPORATIONS.—In the case of a partnership or S corporation—

“(i) this section shall be applied at the partner or shareholder level,

“(ii) each partner or shareholder shall take into account such person’s allocable share of each item described in subparagraph (A) or (B) of subsection (c)(1) (determined without regard to whether the items described in such subparagraph (A) exceed the items described in such subparagraph (B)), and

“(iii) each partner or shareholder shall be treated for purposes of subsection (b) as having W-2 wages for the taxable year in an amount equal to the lesser of—

“(I) such person’s allocable share of the W-2 wages of the partnership or S corporation for the taxable year (as determined under regulations prescribed by the Secretary), or

“(II) 2 times 9 percent of so much of such person’s qualified production activities income as is attributable to items allocated under clause (ii) for the taxable year.

“(B) TRUSTS AND ESTATES.—In the case of a trust or estate—

“(i) the items referred to in subparagraph (A)(ii) (as determined therein) and the W-2 wages of the trust or estate for the taxable year, shall be apportioned between the beneficiaries and the fiduciary (and among the beneficiaries) under regulations prescribed by the Secretary, and

“(ii) for purposes of paragraph (2), adjusted gross income of the trust or estate shall be determined as provided in section 67(e) with the adjustments described in such paragraph.

“(C) REGULATIONS.—The Secretary may prescribe rules requiring or restricting the allocation of items and wages under this paragraph and may prescribe such reporting requirements as the Secretary determines appropriate.”.

(9) Paragraph (3) of section 199(d) is amended to read as follows:

“(3) AGRICULTURAL AND HORTICULTURAL COOPERATIVES.—

“(A) DEDUCTION ALLOWED TO PATRONS.—Any person who receives a qualified payment from a specified agricultural or horticultural cooperative shall be allowed for the taxable year in which such payment is received a deduction under subsection (a) equal to the portion of the deduction

allowed under subsection (a) to such cooperative which is—

“(i) allowed with respect to the portion of the qualified production activities income to which such payment is attributable, and

“(ii) identified by such cooperative in a written notice mailed to such person during the payment period described in section 1382(d).

“(B) COOPERATIVE DENIED DEDUCTION FOR PORTION OF QUALIFIED PAYMENTS.—The taxable income of a specified agricultural or horticultural cooperative shall not be reduced under section 1382 by reason of that portion of any qualified payment as does not exceed the deduction allowable under subparagraph (A) with respect to such payment.

“(C) TAXABLE INCOME OF COOPERATIVES DETERMINED WITHOUT REGARD TO CERTAIN DEDUCTIONS.—For purposes of this section, the taxable income of a specified agricultural or horticultural cooperative shall be computed without regard to any deduction allowable under subsection (b) or (c) of section 1382 (relating to patronage dividends, per-unit retain allocations, and nonpatronage distributions).

“(D) SPECIAL RULE FOR MARKETING COOPERATIVES.—For purposes of this section, a specified agricultural or horticultural cooperative described in subparagraph (F)(ii) shall be treated as having manufactured, produced, grown, or extracted in whole or significant part any qualifying production property marketed by the organization which its patrons have so manufactured, produced, grown, or extracted.

“(E) QUALIFIED PAYMENT.—For purposes of this paragraph, the term ‘qualified payment’ means, with respect to any person, any amount which—

“(i) is described in paragraph (1) or (3) of section 1385(a),

“(ii) is received by such person from a specified agricultural or horticultural cooperative, and

“(iii) is attributable to qualified production activities income with respect to which a deduction is allowed to such cooperative under subsection (a).

“(F) SPECIFIED AGRICULTURAL OR HORTICULTURAL COOPERATIVE.—For purposes of this paragraph, the term ‘specified agricultural or horticultural cooperative’ means an organization to which part I of subchapter T applies which is engaged—

“(i) in the manufacturing, production, growth, or extraction in whole or significant part of any agricultural or horticultural product, or

“(ii) in the marketing of agricultural or horticultural products.”

26 USC 199.

(10) Clause (i) of section 199(d)(4)(B) is amended—

(A) by striking “50 percent” and inserting “more than 50 percent”, and

(B) by striking “80 percent” and inserting “at least 80 percent”.

(11)(A) Paragraph (6) of section 199(d) is amended to read as follows:

“(6) COORDINATION WITH MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55—

“(A) qualified production activities income shall be determined without regard to any adjustments under sections 56 through 59, and

“(B) in the case of a corporation, subsection (a)(1)(B) shall be applied by substituting ‘alternative minimum taxable income’ for ‘taxable income’.”

(B) Paragraph (2) of section 199(a) is amended by striking “subsections (d)(1) and (d)(6)” and inserting “subsection (d)(1)”. 26 USC 199.

(12) Subsection (d) of section 199 is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

“(7) UNRELATED BUSINESS TAXABLE INCOME.—For purposes of determining the tax imposed by section 511, subsection (a)(1)(B) shall be applied by substituting ‘unrelated business taxable income’ for ‘taxable income’.” Applicability.

(13) Paragraph (8) of section 199(d), as redesignated by paragraph (12), is amended by inserting “, including regulations which prevent more than 1 taxpayer from being allowed a deduction under this section with respect to any activity described in subsection (c)(4)(A)(i)” before the period at the end.

(14) Clauses (i)(II) and (ii)(II) of section 56(d)(1)(A) are each amended by striking “such deduction” and inserting “such deduction and the deduction under section 199”.

(15) Clause (i) of section 163(j)(6)(A) is amended by striking “and” at the end of subclause (II), by redesignating subclause (III) as subclause (IV), and by inserting after subclause (II) the following new subclause:

“(III) any deduction allowable under section 199, and”.

(16) Paragraph (2) of section 170(b) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively, and by inserting after subparagraph (B) the following new subparagraph:

“(C) section 199,”.

(17) Subsection (d) of section 172 is amended by adding at the end the following new paragraph:

“(7) MANUFACTURING DEDUCTION.—The deduction under section 199 shall not be allowed.”

(18) Paragraph (1) of section 613A(d) is amended by redesignating subparagraphs (B), (C), and (D) as subparagraphs (C), (D), and (E), respectively, and by inserting after subparagraph (A) the following new subparagraph:

“(B) any deduction allowable under section 199,”.

(19) Subsection (e) of section 102 of the American Jobs Creation Act of 2004 is amended to read as follows:

“(e) EFFECTIVE DATE.—

“(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

“(2) APPLICATION TO PASS-THRU ENTITIES, ETC.—In determining the deduction under section 199 of the Internal Revenue Code of 1986 (as added by this section), items arising from

26 USC 56 note.

a taxable year of a partnership, S corporation, estate, or trust beginning before January 1, 2005, shall not be taken into account for purposes of subsection (d)(1) of such section.”

26 USC 1361. (b) AMENDMENT RELATED TO SECTION 231 OF THE ACT.—Paragraph (1) of section 1361(c) is amended to read as follows:

“(1) MEMBERS OF A FAMILY TREATED AS 1 SHAREHOLDER.—

“(A) IN GENERAL.—For purposes of subsection (b)(1)(A), there shall be treated as one shareholder—

“(i) a husband and wife (and their estates), and

“(ii) all members of a family (and their estates).

“(B) MEMBERS OF A FAMILY.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘members of a family’ means a common ancestor, any lineal descendant of such common ancestor, and any spouse or former spouse of such common ancestor or any such lineal descendant.

“(ii) COMMON ANCESTOR.—An individual shall not be considered to be a common ancestor if, on the applicable date, the individual is more than 6 generations removed from the youngest generation of shareholders who would (but for this subparagraph) be members of the family. For purposes of the preceding sentence, a spouse (or former spouse) shall be treated as being of the same generation as the individual to whom such spouse is (or was) married.

“(iii) APPLICABLE DATE.—The term ‘applicable date’ means the latest of—

“(I) the date the election under section 1362(a) is made,

“(II) the earliest date that an individual described in clause (i) holds stock in the S corporation, or

“(III) October 22, 2004.

“(C) EFFECT OF ADOPTION, ETC.—Any legally adopted child of an individual, any child who is lawfully placed with an individual for legal adoption by the individual, and any eligible foster child of an individual (within the meaning of section 152(f)(1)(C)), shall be treated as a child of such individual by blood.”

26 USC 1366 note. (c) AMENDMENT RELATED TO SECTION 235 OF THE ACT.—Subsection (b) of section 235 of the American Jobs Creation Act of 2004 is amended by striking “taxable years beginning” and inserting “transfers”.

(d) AMENDMENTS RELATED TO SECTION 243 OF THE ACT.—

(1) Paragraph (7) of section 856(c) is amended to read as follows:

“(7) RULES OF APPLICATION FOR FAILURE TO SATISFY PARAGRAPH (4).—

“(A) IN GENERAL.—A corporation, trust, or association that fails to meet the requirements of paragraph (4) (other than a failure to meet the requirements of paragraph (4)(B)(iii) which is described in subparagraph (B)(i) of this paragraph) for a particular quarter shall nevertheless be considered to have satisfied the requirements of such paragraph for such quarter if—

“(i) following the corporation, trust, or association’s identification of the failure to satisfy the requirements of such paragraph for a particular quarter, a description of each asset that causes the corporation, trust, or association to fail to satisfy the requirements of such paragraph at the close of such quarter of any taxable year is set forth in a schedule for such quarter filed in accordance with regulations prescribed by the Secretary,

“(ii) the failure to meet the requirements of such paragraph for a particular quarter is due to reasonable cause and not due to willful neglect, and

“(iii)(I) the corporation, trust, or association disposes of the assets set forth on the schedule specified in clause (i) within 6 months after the last day of the quarter in which the corporation, trust or association’s identification of the failure to satisfy the requirements of such paragraph occurred or such other time period prescribed by the Secretary and in the manner prescribed by the Secretary, or

“(II) the requirements of such paragraph are otherwise met within the time period specified in subclause (I).

“(B) RULE FOR CERTAIN DE MINIMIS FAILURES.—A corporation, trust, or association that fails to meet the requirements of paragraph (4)(B)(iii) for a particular quarter shall nevertheless be considered to have satisfied the requirements of such paragraph for such quarter if—

“(i) such failure is due to the ownership of assets the total value of which does not exceed the lesser of—

“(I) 1 percent of the total value of the trust’s assets at the end of the quarter for which such measurement is done, and

“(II) \$10,000,000, and

“(ii)(I) the corporation, trust, or association, following the identification of such failure, disposes of assets in order to meet the requirements of such paragraph within 6 months after the last day of the quarter in which the corporation, trust or association’s identification of the failure to satisfy the requirements of such paragraph occurred or such other time period prescribed by the Secretary and in the manner prescribed by the Secretary, or

“(II) the requirements of such paragraph are otherwise met within the time period specified in subclause (I).

“(C) TAX.—

“(i) TAX IMPOSED.—If subparagraph (A) applies to a corporation, trust, or association for any taxable year, there is hereby imposed on such corporation, trust, or association a tax in an amount equal to the greater of—

“(I) \$50,000, or

“(II) the amount determined (pursuant to regulations promulgated by the Secretary) by multiplying the net income generated by the assets

Regulations.

described in the schedule specified in subparagraph (A)(i) for the period specified in clause (ii) by the highest rate of tax specified in section 11.

“(ii) PERIOD.—For purposes of clause (i)(II), the period described in this clause is the period beginning on the first date that the failure to satisfy the requirements of such paragraph (4) occurs as a result of the ownership of such assets and ending on the earlier of the date on which the trust disposes of such assets or the end of the first quarter when there is no longer a failure to satisfy such paragraph (4).

“(iii) ADMINISTRATIVE PROVISIONS.—For purposes of subtitle F, the taxes imposed by this subparagraph shall be treated as excise taxes with respect to which the deficiency procedures of such subtitle apply.”.

26 USC 856.

(2) Subsection (m) of section 856 is amended by adding at the end the following new paragraph:

“(6) TRANSITION RULE.—

“(A) IN GENERAL.—Notwithstanding paragraph (2)(C), securities held by a trust shall not be considered securities held by the trust for purposes of subsection (c)(4)(B)(iii)(III) during any period beginning on or before October 22, 2004, if such securities—

“(i) are held by such trust continuously during such period, and

“(ii) would not be taken into account for purposes of such subsection by reason of paragraph (7)(C) of subsection (c) (as in effect on October 22, 2004) if the amendments made by section 243 of the American Jobs Creation Act of 2004 had never been enacted.

“(B) RULE NOT TO APPLY TO SECURITIES HELD AFTER MATURITY DATE.—Subparagraph (A) shall not apply with respect to any security after the later of October 22, 2004, or the latest maturity date under the contract (as in effect on October 22, 2004) taking into account any renewal or extension permitted under the contract if such renewal or extension does not significantly modify any other terms of the contract.

“(C) SUCCESSORS.—If the successor of a trust to which this paragraph applies acquires securities in a transaction to which section 381 applies, such trusts shall be treated as a single entity for purposes of determining the holding period of such securities under subparagraph (A).”.

(3) Subparagraph (E) of section 857(b)(2) is amended by striking “section 856(c)(7)(B)(iii), and section 856(g)(1).” and inserting “section 856(c)(7)(C), and section 856(g)(5)”.

26 USC 856 note.

(4) Subsection (g) of section 243 of the American Jobs Creation Act of 2004 is amended to read as follows:

“(g) EFFECTIVE DATES.—

“(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 2000.

“(2) SUBSECTIONS (c) AND (e).—The amendments made by subsections (c) and (e) shall apply to taxable years beginning after the date of the enactment of this Act.

“(3) SUBSECTION (d).—The amendment made by subsection (d) shall apply to transactions entered into after December 31, 2004.

“(4) SUBSECTION (f).—

“(A) The amendment made by paragraph (1) of subsection (f) shall apply to failures with respect to which the requirements of subparagraph (A) or (B) of section 856(c)(7) of the Internal Revenue Code of 1986 (as added by such paragraph) are satisfied after the date of the enactment of this Act.

“(B) The amendment made by paragraph (2) of subsection (f) shall apply to failures with respect to which the requirements of paragraph (6) of section 856(c) of the Internal Revenue Code of 1986 (as amended by such paragraph) are satisfied after the date of the enactment of this Act.

“(C) The amendments made by paragraph (3) of subsection (f) shall apply to failures with respect to which the requirements of paragraph (5) of section 856(g) of the Internal Revenue Code of 1986 (as added by such paragraph) are satisfied after the date of the enactment of this Act.

“(D) The amendment made by paragraph (4) of subsection (f) shall apply to taxable years ending after the date of the enactment of this Act.

“(E) The amendments made by paragraph (5) of subsection (f) shall apply to statements filed after the date of the enactment of this Act.”.

(e) AMENDMENTS RELATED TO SECTION 244 OF THE ACT.—

(1) Paragraph (2) of section 181(d) is amended by striking the last sentence in subparagraph (A), by redesignating subparagraph (B) as subparagraph (C), and by inserting after subparagraph (A) the following new subparagraph:

26 USC 181.

“(B) SPECIAL RULES FOR TELEVISION SERIES.—In the case of a television series—

“(i) each episode of such series shall be treated as a separate production, and

“(ii) only the first 44 episodes of such series shall be taken into account.”.

(2) Subparagraph (C) of section 1245(a)(2) is amended by inserting “181,” after “179B,”.

(f) AMENDMENTS RELATED TO SECTION 245 OF THE ACT.—

(1) Subsection (b) of section 45G is amended to read as follows:

“(b) LIMITATION.—

“(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the product of—

“(A) \$3,500, multiplied by

“(B) the sum of—

“(i) the number of miles of railroad track owned or leased by the eligible taxpayer as of the close of the taxable year, and

“(ii) the number of miles of railroad track assigned for purposes of this subsection to the eligible taxpayer by a Class II or Class III railroad which owns or leases such railroad track as of the close of the taxable year.

“(2) ASSIGNMENTS.—With respect to any assignment of a mile of railroad track under paragraph (1)(B)(ii)—

“(A) such assignment may be made only once per taxable year of the Class II or Class III railroad and shall be treated as made as of the close of such taxable year,

“(B) such mile may not be taken into account under this section by such railroad for such taxable year, and

“(C) such assignment shall be taken into account for the taxable year of the assignee which includes the date that such assignment is treated as effective.”.

26 USC 45G.

(2) Paragraph (2) of section 45G(c) is amended to read as follows:

“(2) any person who transports property using the rail facilities of a Class II or Class III railroad or who furnishes railroad-related property or services to a Class II or Class III railroad, but only with respect to miles of railroad track assigned to such person by such Class II or Class III railroad for purposes of subsection (b).”.

(g) AMENDMENTS RELATED TO SECTION 248 OF THE ACT.—

(1)(A) Subsection (d) of section 1353 is amended by striking “ownership and charter interests” and inserting “ownership, charter, and operating agreement interests”.

(B) Subsection (a) of section 1355 is amended by striking paragraph (8).

(C) Paragraph (1) of section 1355(b) is amended to read as follows:

“(1) IN GENERAL.—Except as provided in paragraph (2), a person is treated as operating any vessel during any period if—

“(A)(i) such vessel is owned by, or chartered (including a time charter) to, the person, or

“(ii) the person provides services for such vessel pursuant to an operating agreement, and

“(B) such vessel is in use as a qualifying vessel during such period.”.

(D) Paragraph (3) of section 1355(d) is amended to read as follows:

“(3) the extent of a partner’s ownership, charter, or operating agreement interest in any vessel operated by the partnership shall be determined on the basis of the partner’s interest in the partnership.”.

(2) Paragraph (3) of section 1355(c) is amended by striking “determined—” and all that follows and inserting “determined by treating all members of such group as 1 person.”.

(3) Subsection (c) of section 1356 is amended—

(A) by striking paragraph (3), and

(B) by adding at the end of paragraph (2) the following new flush sentence:

“Such term shall not include any core qualifying activities.”.

(4) The last sentence of section 1354(b) is amended by inserting “on or” after “only if made”.

(h) AMENDMENT RELATED TO SECTION 314 OF THE ACT.—Paragraph (2) of section 55(c) is amended by striking “regular tax” and inserting “regular tax liability”.

(i) AMENDMENTS RELATED TO SECTION 322 OF THE ACT.—

(1)(A) Subparagraph (B) of section 194(b)(1) is amended to read as follows:

“(B) DOLLAR LIMITATION.—The aggregate amount of reforestation expenditures which may be taken into account under subparagraph (A) with respect to each qualified timber property for any taxable year shall not exceed—

- “(i) except as provided in clause (ii) or (iii), \$10,000,
- “(ii) in the case of a separate return by a married individual (as defined in section 7703), \$5,000, and
- “(iii) in the case of a trust, zero.”

(B) Paragraph (4) of section 194(c) is amended to read as follows: 26 USC 194.

“(4) TREATMENT OF TRUSTS AND ESTATES.—The aggregate amount of reforestation expenditures incurred by any trust or estate shall be apportioned between the income beneficiaries and the fiduciary under regulations prescribed by the Secretary. Any amount so apportioned to a beneficiary shall be taken into account as expenditures incurred by such beneficiary in applying this section to such beneficiary.”

(2) Subparagraph (C) of section 1245(a)(2) is amended by striking “or 193” and inserting “193, or 194”.

(j) AMENDMENTS RELATED TO SECTION 336 OF THE ACT.—

(1) Clause (iv) of section 168(k)(2)(A) is amended by striking “subparagraphs (B) and (C)” and inserting “subparagraph (B) or (C)”.

(2) Clause (iii) of section 168(k)(4)(B) is amended by striking “and paragraph (2)(C)” and inserting “or paragraph (2)(C) (as so modified)”.

(k) AMENDMENT RELATED TO SECTION 402 OF THE ACT.—Paragraph (2) of section 904(g) is amended to read as follows:

“(2) OVERALL DOMESTIC LOSS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘overall domestic loss’ means—

“(i) with respect to any qualified taxable year, the domestic loss for such taxable year to the extent such loss offsets taxable income from sources without the United States for the taxable year or for any preceding qualified taxable year by reason of a carryback, and

“(ii) with respect to any other taxable year, the domestic loss for such taxable year to the extent such loss offsets taxable income from sources without the United States for any preceding qualified taxable year by reason of a carryback.

“(B) DOMESTIC LOSS.—For purposes of subparagraph (A), the term ‘domestic loss’ means the amount by which the gross income for the taxable year from sources within the United States is exceeded by the sum of the deductions properly apportioned or allocated thereto (determined without regard to any carryback from a subsequent taxable year).

“(C) QUALIFIED TAXABLE YEAR.—For purposes of subparagraph (A), the term ‘qualified taxable year’ means any taxable year for which the taxpayer chose the benefits of this subpart.”

(l) AMENDMENT RELATED TO SECTION 403 OF THE ACT.—Section 403 of the American Jobs Creation Act of 2004 is amended by adding at the end the following new subsection: 26 USC 864 note.

Applicability.

“(d) TRANSITION RULE.—If the taxpayer elects (at such time and in such form and manner as the Secretary of the Treasury may prescribe) to have the rules of this subsection apply—

“(1) the amendments made by this section shall not apply to taxable years beginning after December 31, 2002, and before January 1, 2005, and

“(2) in the case of taxable years beginning after December 31, 2004, clause (iv) of section 904(d)(4)(C) of the Internal Revenue Code of 1986 (as amended by this section) shall be applied by substituting ‘January 1, 2005’ for ‘January 1, 2003’ both places it appears.”.

26 USC 954.

(m) AMENDMENT RELATED TO SECTION 412 OF THE ACT.—Subparagraph (B) of section 954(c)(4) is amended by adding at the end the following: “If a controlled foreign corporation is treated as owning a capital or profits interest in a partnership under constructive ownership rules similar to the rules of section 958(b), the controlled foreign corporation shall be treated as owning such interest directly for purposes of this subparagraph.”.

(n) AMENDMENTS RELATED TO SECTION 413 OF THE ACT.—

(1) Subsection (b) of section 532 is amended by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(2) Subsection (b) of section 535 is amended by adding at the end the following new paragraph:

“(10) CONTROLLED FOREIGN CORPORATIONS.—There shall be allowed as a deduction the amount of the corporation’s income for the taxable year which is included in the gross income of a United States shareholder under section 951(a). In the case of any corporation the accumulated taxable income of which would (but for this sentence) be determined without allowance of any deductions, the deduction under this paragraph shall be allowed and shall be appropriately adjusted to take into account any deductions which reduced such inclusion.”.

(3)(A) Section 6683 is repealed.

(B) The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6683.

(o) AMENDMENT RELATED TO SECTION 415 OF THE ACT.—Subparagraph (D) of section 904(d)(2) is amended by inserting “as in effect before its repeal” after “section 954(f)”.

(p) AMENDMENTS RELATED TO SECTION 418 OF THE ACT.—

(1) The second sentence of section 897(h)(1) is amended—

(A) by striking “any distribution” and all that follows through “any class of stock” and inserting “any distribution by a real estate investment trust with respect to any class of stock”, and

(B) by striking “the taxable year” and inserting “the 1-year period ending on the date of the distribution”.

(2) Subsection (c) of section 418 of the American Jobs Creation Act of 2004 is amended to read as follows:

26 USC 857 note.

“(c) EFFECTIVE DATE.—The amendments made by this section shall apply to—

“(1) any distribution by a real estate investment trust which is treated as a deduction for a taxable year of such trust beginning after the date of the enactment of this Act, and

“(2) any distribution by a real estate investment trust made after such date which is treated as a deduction under section 860 for a taxable year of such trust beginning on or before such date.”.

(q) AMENDMENTS RELATED TO SECTION 422 OF THE ACT.—

(1) Subparagraph (B) of section 965(a)(2) is amended by inserting “from another controlled foreign corporation in such chain of ownership” before “, but only to the extent”.

26 USC 965.

(2) Subparagraph (A) of section 965(b)(2) is amended by inserting “cash” before “dividends”.

(3) Paragraph (3) of section 965(b) is amended by adding at the end the following: “The Secretary may prescribe such regulations as may be necessary or appropriate to prevent the avoidance of the purposes of this paragraph, including regulations which provide that cash dividends shall not be taken into account under subsection (a) to the extent such dividends are attributable to the direct or indirect transfer (including through the use of intervening entities or capital contributions) of cash or other property from a related person (as so defined) to a controlled foreign corporation.”.

(4) Paragraph (1) of section 965(c) is amended to read as follows:

“(1) APPLICABLE FINANCIAL STATEMENT.—The term ‘applicable financial statement’ means—

“(A) with respect to a United States shareholder which is required to file a financial statement with the Securities and Exchange Commission (or which is included in such a statement so filed by another person), the most recent audited annual financial statement (including the notes which form an integral part of such statement) of such shareholder (or which includes such shareholder)—

“(i) which was so filed on or before June 30, 2003, and

“(ii) which was certified on or before June 30, 2003, as being prepared in accordance with generally accepted accounting principles, and

“(B) with respect to any other United States shareholder, the most recent audited financial statement (including the notes which form an integral part of such statement) of such shareholder (or which includes such shareholder)—

“(i) which was certified on or before June 30, 2003, as being prepared in accordance with generally accepted accounting principles, and

“(ii) which is used for the purposes of a statement or report—

“(I) to creditors,

“(II) to shareholders, or

“(III) for any other substantial nontax purpose.”.

(5) Paragraph (2) of section 965(d) is amended by striking “properly allocated and apportioned” and inserting “directly allocable”.

(6) Subsection (d) of section 965 is amended by adding at the end the following new paragraph:

“(4) COORDINATION WITH SECTION 78.—Section 78 shall not apply to any tax which is not allowable as a credit under section 901 by reason of this subsection.”.

26 USC 965.

(7) The last sentence of section 965(e)(1) is amended by inserting “which are imposed by foreign countries and possessions of the United States and are” after “taxes”.

(8) Subsection (f) of section 965 is amended by inserting “on or” before “before the due date”.

(r) AMENDMENTS RELATED TO SECTION 501 OF THE ACT.—

(1) Subparagraph (A) of section 164(b)(5) is amended to read as follows:

Applicability.

“(A) ELECTION TO DEDUCT STATE AND LOCAL SALES TAXES IN LIEU OF STATE AND LOCAL INCOME TAXES.—At the election of the taxpayer for the taxable year, subsection (a) shall be applied—

“(i) without regard to the reference to State and local income taxes, and

“(ii) as if State and local general sales taxes were referred to in a paragraph thereof.”.

(2) Clause (ii) of section 56(b)(1)(A) is amended by inserting “or clause (ii) of section 164(b)(5)(A)” before the period at the end.

26 USC 460 note.

(s) AMENDMENTS RELATED TO SECTION 708 OF THE ACT.—Section 708 of the American Jobs Creation Act of 2004 is amended—

(1) in subsection (a), by striking “contract commencement date” and inserting “construction commencement date”, and

(2) by redesignating subsection (d) as subsection (e) and inserting after subsection (c) the following new subsection:

“(d) CERTAIN ADJUSTMENTS NOT TO APPLY.—Section 481 of the Internal Revenue Code of 1986 shall not apply with respect to any change in the method of accounting which is required by this section.”.

(t) AMENDMENT RELATED TO SECTION 710 OF THE ACT.—Clause (i) of section 45(c)(7)(A) is amended by striking “synthetic”.

(u) AMENDMENT RELATED TO SECTION 801 OF THE ACT.—Paragraph (3) of section 7874(a) is amended to read as follows:

“(3) COORDINATION WITH SUBSECTION (b).—A corporation which is treated as a domestic corporation under subsection (b) shall not be treated as a surrogate foreign corporation for purposes of paragraph (2)(A).”.

(v) AMENDMENTS RELATED TO SECTION 804 OF THE ACT.—

(1) Subparagraph (C) of section 877(g)(2) is amended by striking “section 7701(b)(3)(D)(ii)” and inserting “section 7701(b)(3)(D)”.

(2) Subsection (n) of section 7701 is amended to read as follows:

“(n) SPECIAL RULES FOR DETERMINING WHEN AN INDIVIDUAL IS NO LONGER A UNITED STATES CITIZEN OR LONG-TERM RESIDENT.—For purposes of this chapter—

“(1) UNITED STATES CITIZENS.—An individual who would (but for this paragraph) cease to be treated as a citizen of the United States shall continue to be treated as a citizen of the United States until such individual—

“(A) gives notice of an expatriating act (with the requisite intent to relinquish citizenship) to the Secretary of State, and