

**COMPARISON OF H.R. 2884,
THE "VICTIMS OF TERRORISM TAX RELIEF ACT OF 2001"
AS PASSED BY THE HOUSE OF REPRESENTATIVES ON DECEMBER 13, 2001, AND
AS PASSED BY THE SENATE**

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



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JCX-87-01

INTRODUCTION

This document,¹ prepared by the staff of the Joint Committee on Taxation, contains a comparison of H.R. 2884, the "Victims of Terrorism Tax Relief Act of 2001" as passed by the House of Representatives on December 13, 2001, and as passed by the Senate. H.R. 2884 was originally passed by the House on September 13, 2001. H.R. 2884, as modified, was passed by the Senate on November 16, 2001. The House passed H.R. 2884, as further modified, on December 13, 2001.

¹ This document may be cited as follows: Joint Committee on Taxation, *Comparison of H.R. 2884, The "Victims of Terrorism Tax Relief Act of 2001" as Passed by the House of Representatives on December 13, 2001, and as Passed by the Senate* (JCX-87-01), December 14, 2001.

**COMPARISON OF PROVISIONS OF H.R. 2884, THE “VICTIMS OF TERRORISM TAX RELIEF ACT OF 2001”
AS PASSED BY THE HOUSE OF REPRESENTATIVES AND THE SENATE**

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
A. Relief Provisions for Victims of Specific Terrorist Attacks			
1. Income and employment tax relief for individuals who die as a result of terrorist attacks (sec. 101 of the House bill and sec. 101 of the Senate amendment)	Provides the same income tax relief currently provided to military and civilian employees of the U.S. who die as a result of a terrorist attack outside the U.S. to victims of the terrorist attacks against the United States on April 19, 1995, and September 11, 2001, and victims of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. Thus, such individuals are not subject to income tax for the year of death and prior years beginning with the year before the year in which the wounds or injury occurred.	Same as the House bill, except: <ul style="list-style-type: none"> • provides relief from FICA taxes and self-employment taxes as well as income taxes, and • relief does not apply to amounts that would have been paid if the death had occurred for another reason or amounts that would not have been paid but for an action taken after the date of the attack. 	

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
<p>2. Exclusion of certain death benefits (sec. 102 of the House bill and sec. 204(a) of the Senate amendment)</p>	<p>Provides an exclusion for death benefits paid by an employer by reason of the death of an employee (including a self-employed individual) as a result of the terrorist attack against the United States on April 19, 1995, or September 11, 2001, or an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. Exclusion does not apply to amounts that would have been payable if the individual died for another reason. Effective for taxable years ending before, on, or after September 11, 2001.</p>	<p>Same as the House bill except:</p> <ul style="list-style-type: none"> • the provision is not limited to specific terrorist attacks, • effective for taxable years ending on or after September 11, 2001; and • technical modifications. 	
<p>3. Estate tax reduction (sec. 103 of the House bill and sec. 102 of the Senate amendment)</p>	<p>Generally extends the same estate tax relief provided currently under Code section 2201 to military personnel who die in a combat zone or as a result of wounds or injury received in a combat zone to victims of the terrorist attacks against the United States on April 19, 1995, and September 11, 2001, and victims of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. Modifies the general operation of section 2201 and provides that a taxpayer may elect not to have the provision apply.</p>	<p>Same as House bill.</p>	

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
<p>4. Payments by charitable organizations treated as exempt payments (sec. 104 of the House bill and sec. 103 of the Senate amendment)</p>	<p>Payments made by a charitable organization by reason of death, injury, wounds or illness incurred as a result of the September 11, 2001, attacks or attacks involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, are treated as related to the organization's exempt purpose if made in good faith using a reasonable and objective formula that is consistently applied and in furtherance of public purposes. If a private foundation makes such payments, the payments are not treated as made to a disqualified person. Effective for payments on or after September 11, 2001.</p>	<p>Same as House bill except the Senate amendment does not state that the payments be made in good faith, that the formula used be reasonable, or that the payments be in furtherance of public purposes.</p>	

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
4. Exclusion for certain cancellations of indebtedness (sec. 104 of the Senate amendment)	No provision.	Excludes from income amounts realized from the discharge of indebtedness by reason of the death of an individual who dies from wounds or injury incurred as a result of the September 11, 2001, terrorist attacks, or as a result of a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. Reporting requirements do not apply to discharges excludable under the provision. Effective for discharges made on or after September 11, 2001, and before January 1, 2002.	
B. General Relief for Victims of Disasters and Terrorist Actions			
1. Exclusion of disaster relief payments (sec. 201 of the House bill and sec. 201 of the Senate amendment)	Provides a specific statutory exclusion from income for victims compensation received under the Air Transportation Safety and System Stabilization Act and qualified disaster relief payments.	Same as House bill.	
2. Authority to postpone certain deadlines and required actions (sec. 202 of the House bill and sec. 202 of the Senate amendment)	Provides the Secretary the authority to extend tax-related deadlines for up to one year in the case of a disaster or terrorist attack. Also allows the Secretary to waive interest in such cases. Provides similar authority to the Secretary of the Treasury, Secretary of Labor, and the PBGC to extend deadlines relating to employee benefit plans.	Same as House bill.	

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
3. Application of certain provisions to terrorist activity (sec. 203 of the House bill and sec. 204(b) and (c) of the Senate amendment)	Extends relief provided by certain provisions in the case of terrorist attacks outside the U.S. to all terrorist attacks against the U.S.	Same as House bill.	
4. Clarification of due date for airline excise tax deposits (sec. 204 of the House bill and 205 of the Senate amendment)	Clarifies that the special deposit rules provided under the Air Transportation Safety and System Stabilization Act do not apply to employment taxes.	Same as House bill.	
5. Treatment of certain structured settlement payments (sec. 205 of the House bill and sec. 105(a) of the Senate amendment)	Imposes a 40-percent excise tax on acquisitions of certain structured settlement payment rights under claims; the excise tax does not apply if the acquisition is approved in advance under an applicable State statute by a court or State administrative authority. Provides that the acquisition transaction does not affect the application of present-law rules. Effective for acquisitions entered into on or after the 30 th day following enactment.	Same as House bill, except that the provision is limited to structured settlements relating to claims arising from the September 11, 2001, terrorist attacks, or to a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.	

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
6. Personal exemption deduction for certain disability trusts (sec. 206 of the House bill and sec. 105(b) of the Senate amendment)	Increases personal exemption deduction for certain disability trusts based on individual exemption deduction. Effective for taxable years ending on or after September 11, 2001.	Same as House bill, except: <ul style="list-style-type: none"> • applies only to disability trusts for beneficiaries disabled as the result of a wounding, injury, or illness resulting from the terrorist attacks of April 19, 1995, and September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, • effective for taxable years ending before, on, or after September 11, 2001, and • technical modifications. 	
7. IRS Disaster Response Team (sec. 203 of the Senate amendment)	No provision.	Directs the Secretary to create a permanent Disaster Response Team.	
8. Coordination with Air Transportation Safety and System Stabilization Act (sec. 206 of the Senate amendment)	No provision. Explanation of bill clarifies that the tax benefits provided by the bill are not intended to be collateral payments for purposes of the compensation that may be provided under the Air Transportation Safety and System Stabilization Act.	Provides that tax benefits provided by the bill are not collateral payments for purposes of the compensation that may be provided under the Air Transportation Safety and System Stabilization Act.	
C. Tax Benefits for Area of New York City Damaged in Terrorist Attacks on September 11, 2001²			

² The New York City tax benefit provisions are compared in a separate document (JCX-89-01), as those provisions are not included in H.R. 2884, as passed by the Senate, but are contained in the “Economic Recovery and Homeland Defense Act of 2001,” introduced as an amendment by Senator Baucus (amendment #2125) to the Senate consideration of H.R. 3090.

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
<p>D. Disclosure of Tax Information in Terrorism and National Security Investigations (sec. 401 of the House bill and sec. 301 of the Senate amendment)</p>	<p>Authorizes the disclosure of returns, return information, and tax convention information, for purposes of investigating terrorist incidents, threats, or activities, and for analyzing intelligence concerning terrorist incidents, threats, or activities, upon satisfaction of certain requirements. Provision sunsets after December 31, 2003.</p>	<p>Same as the House bill.</p>	
<p>E. No Impact on Social Security Trust Funds (sec. 501 of the House bill and sec. 106 of the Senate amendment)</p>	<p>Provides that the Secretary is to make appropriate transfers from general revenues to the Social Security Trust Fund so as to ensure that the Fund is not reduced as a result of the bill.</p>	<p>Same as House bill, except provision is limited to those sections of the bill providing relief from specific terrorist attacks.</p>	