

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

2 **TABLE OF CONTENTS.**

3 (a) **SHORT TITLE.**—This Act may be cited as the  
4 “Hiring Incentives to Restore Employment Act”.

5 (b) **AMENDMENT OF 1986 CODE.**—Except as other-  
6 wise expressly provided, whenever in this Act an amend-  
7 ment or repeal is expressed in terms of an amendment  
8 to, or repeal of, a section or other provision, the reference  
9 shall be considered to be made to a section or other provi-  
10 sion of the Internal Revenue Code of 1986.

11 (c) **TABLE OF CONTENTS.**—The table of contents for  
12 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

**TITLE I—INCENTIVES FOR HIRING AND RETAINING  
UNEMPLOYED WORKERS**

Sec. 101. Payroll tax forgiveness for hiring unemployed workers.

Sec. 102. Business credit for retention of certain newly hired individuals in  
2010.

**TITLE II—EXPENSING**

Sec. 201. Increase in expensing of certain depreciable business assets.

**TITLE III—QUALIFIED TAX CREDIT BONDS**

Sec. 301. Issuer allowed refundable credit for certain qualified tax credit bonds.

**TITLE IV—EXTENSION OF CURRENT SURFACE TRANSPORTATION  
PROGRAMS**

Sec. 401. Short title.

**Subtitle A—Federal-aid Highways**

Sec. 411. In general.

Sec. 412. Administrative expenses.

Sec. 413. Rescission of unobligated balances.

Sec. 414. Reconciliation of funds.

## 2

Subtitle B—National Highway Traffic Safety Administration, Federal Motor Carrier Safety Administration, and Additional Programs

- Sec. 421. Extension of National Highway Traffic Safety Administration Highway Safety Programs.  
 Sec. 422. Extension of Federal Motor Carrier Safety Administration Programs.  
 Sec. 423. Additional programs.

Subtitle C—Public Transportation Programs

- Sec. 431. Allocation of funds for planning programs.  
 Sec. 432. Special rule for urbanized area formula grants.  
 Sec. 433. Allocating amounts for capital investment grants.  
 Sec. 434. Apportionment of formula grants for other than urbanized areas.  
 Sec. 435. Apportionment based on fixed guideway factors.  
 Sec. 436. Authorizations for public transportation.  
 Sec. 437. Amendments to SAFETEA-LU.

Subtitle D—Revenue Provisions

- Sec. 441. Repeal of provision prohibiting the crediting of interest to the Highway Trust Fund.  
 Sec. 442. Restoration of certain foregone interest to Highway Trust Fund.  
 Sec. 443. Treatment of certain amounts appropriated to Highway Trust Fund.  
 Sec. 444. Termination of transfers from highway trust fund for certain repayments and credits.  
 Sec. 445. Extension of authority for expenditures.  
 Sec. 446. Level of obligation limitations.

TITLE V—OFFSET PROVISIONS

Subtitle A—Foreign Account Tax Compliance

PART I—INCREASED DISCLOSURE OF BENEFICIAL OWNERS

- Sec. 501. Reporting on certain foreign accounts.  
 Sec. 502. Repeal of certain foreign exceptions to registered bond requirements.

PART II—UNDER REPORTING WITH RESPECT TO FOREIGN ASSETS

- Sec. 511. Disclosure of information with respect to foreign financial assets.  
 Sec. 512. Penalties for underpayments attributable to undisclosed foreign financial assets.  
 Sec. 513. Modification of statute of limitations for significant omission of income in connection with foreign assets.

PART III—OTHER DISCLOSURE PROVISIONS

- Sec. 521. Reporting of activities with respect to passive foreign investment companies.  
 Sec. 522. Secretary permitted to require financial institutions to file certain returns related to withholding on foreign transfers electronically.

PART IV—PROVISIONS RELATED TO FOREIGN TRUSTS

- Sec. 531. Clarifications with respect to foreign trusts which are treated as having a United States beneficiary.  
 Sec. 532. Presumption that foreign trust has United States beneficiary.  
 Sec. 533. Uncompensated use of trust property.

Sec. 534. Reporting requirement of United States owners of foreign trusts.

Sec. 535. Minimum penalty with respect to failure to report on certain foreign trusts.

PART V—SUBSTITUTE DIVIDENDS AND DIVIDEND EQUIVALENT PAYMENTS  
RECEIVED BY FOREIGN PERSONS TREATED AS DIVIDENDS

Sec. 541. Substitute dividends and dividend equivalent payments received by foreign persons treated as dividends.

Subtitle B—Delay in Application of Worldwide Allocation of Interest

Sec. 551. Delay in application of worldwide allocation of interest.

1 **TITLE I—INCENTIVES FOR HIR-**  
2 **ING AND RETAINING UNEM-**  
3 **PLOYED WORKERS**

4 **SEC. 101. PAYROLL TAX FORGIVENESS FOR HIRING UNEM-**  
5 **PLOYED WORKERS.**

6 (a) IN GENERAL.—Section 3111 is amended by add-  
7 ing at the end the following new subsection:

8 “(d) SPECIAL EXEMPTION FOR CERTAIN INDIVID-  
9 UALS HIRED IN 2010.—

10 “(1) IN GENERAL.—Subsection (a) shall not  
11 apply to wages paid by a qualified employer with re-  
12 spect to employment during the period beginning on  
13 the day after the date of the enactment of this sub-  
14 section and ending on December 31, 2010, of any  
15 qualified individual for services performed—

16 “(A) in a trade or business of such quali-  
17 fied employer, or

18 “(B) in the case of a qualified employer ex-  
19 empt from tax under section 501(a), in further-  
20 ance of the activities related to the purpose or

1 function constituting the basis of the employer's  
2 exemption under section 501.

3 “(2) QUALIFIED EMPLOYER.—For purposes of  
4 this subsection—

5 “(A) IN GENERAL.—The term ‘qualified  
6 employer’ means any employer other than the  
7 United States, any State, or any political sub-  
8 division thereof, or any instrumentality of the  
9 foregoing.

10 “(B) TREATMENT OF EMPLOYEES OF  
11 POST-SECONDARY EDUCATIONAL INSTITU-  
12 TIONS.—Notwithstanding subparagraph (A),  
13 the term ‘qualified employer’ includes any em-  
14 ployer which is a public institution of higher  
15 education (as defined in section 101(b) of the  
16 Higher Education Act of 1965).

17 “(3) QUALIFIED INDIVIDUAL.—For purposes of  
18 this subsection, the term ‘qualified individual’ means  
19 any individual who—

20 “(A) begins employment with a qualified  
21 employer after February 3, 2010, and before  
22 January 1, 2011,

23 “(B) certifies by signed affidavit, under  
24 penalties of perjury, that such individual has  
25 not been employed for more than 40 hours dur-

1           ing the 60-day period ending on the date such  
2           individual begins such employment,

3                   “(C) is not employed by the qualified em-  
4           ployer to replace another employee of such em-  
5           ployer unless such other employee separated  
6           from employment voluntarily or for cause, and

7                   “(D) is not an individual described in sec-  
8           tion 51(i)(1) (applied by substituting ‘qualified  
9           employer’ for ‘taxpayer’ each place it appears).

10           “(4) ELECTION.—A qualified employer may  
11           elect to have this subsection not apply. Such election  
12           shall be made in such manner as the Secretary may  
13           require.”.

14           (b) COORDINATION WITH WORK OPPORTUNITY  
15           CREDIT.—Section 51(c) is amended by adding at the end  
16           the following new paragraph:

17                   “(5) COORDINATION WITH PAYROLL TAX FOR-  
18           GIVENESS.—The term ‘wages’ shall not include any  
19           amount paid or incurred to a qualified individual (as  
20           defined in section 3111(d)(3)) during the 1-year pe-  
21           riod beginning on the hiring date of such individual  
22           by a qualified employer (as defined in section  
23           3111(d)) unless such qualified employer makes an  
24           election not to have section 3111(d) apply.”.

1           (c) TRANSFERS TO FEDERAL OLD-AGE AND SUR-  
2 VIVORS INSURANCE TRUST FUND.—There are hereby ap-  
3 propriated to the Federal Old-Age and Survivors Trust  
4 Fund and the Federal Disability Insurance Trust Fund  
5 established under section 201 of the Social Security Act  
6 (42 U.S.C. 401) amounts equal to the reduction in reve-  
7 nues to the Treasury by reason of the amendments made  
8 by subsection (a). Amounts appropriated by the preceding  
9 sentence shall be transferred from the general fund at  
10 such times and in such manner as to replicate to the ex-  
11 tent possible the transfers which would have occurred to  
12 such Trust Fund had such amendments not been enacted.

13           (d) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to wages paid after the date of  
15 the enactment of this Act.

16 **SEC. 102. BUSINESS CREDIT FOR RETENTION OF CERTAIN**  
17 **NEWLY HIRED INDIVIDUALS IN 2010.**

18           (a) IN GENERAL.—In the case of any taxable year  
19 ending after the date of the enactment of this Act, the  
20 current year business credit determined under section  
21 38(b) of the Internal Revenue Code of 1986 for such tax-  
22 able year shall be increased by an amount equal to the  
23 product of—

24           (1) \$1,000, and

1           (2) the number of retained workers with respect  
2           to which subsection (b)(2) is first satisfied during  
3           such taxable year.

4           (b) **RETAINED WORKER.**—For purposes of this sec-  
5           tion, the term “retained worker” means any qualified indi-  
6           vidual (as defined in section 3111(d)(3) of the Internal  
7           Revenue Code of 1986)—

8           (1) who was employed by the taxpayer on any  
9           date during the taxable year,

10           (2) who was so employed by the taxpayer for a  
11           period of not less than 52 consecutive weeks, and

12           (3) whose wages for such employment during  
13           the last 26 weeks of such period equaled at least 80  
14           percent of such wages for the first 26 weeks of such  
15           period.

16           (c) **LIMITATION ON CARRYBACKS.**—No portion of the  
17           unused business credit under section 38 of the Internal  
18           Revenue Code of 1986 for any taxable year which is attrib-  
19           utable to the increase in the current year business credit  
20           under this section may be carried to a taxable year begin-  
21           ning before the date of the enactment of this section.

1                   **TITLE II—EXPENSING**

2   **SEC. 201. INCREASE IN EXPENSING OF CERTAIN DEPRE-**  
3                   **CIABLE BUSINESS ASSETS.**

4           (a) IN GENERAL.—Subsection (b) of section 179 is  
5 amended—

6               (1) by striking “(\$125,000 in the case of tax-  
7               able years beginning after 2006 and before 2011)”  
8               in paragraph (1) and inserting “(\$250,000 in the  
9               case of taxable years beginning after 2007 and be-  
10              fore 2011)”,

11              (2) by striking “(\$500,000 in the case of tax-  
12              able years beginning after 2006 and before 2011)”  
13              in paragraph (2) and inserting “(\$800,000 in the  
14              case of taxable years beginning after 2007 and be-  
15              fore 2011)”,

16              (3) by striking paragraphs (5) and (7), and

17              (4) by redesignating paragraph (6) as para-  
18              graph (5).

19           (b) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to taxable years beginning after  
21 December 31, 2009.



1           **TITLE III—QUALIFIED TAX**  
2                           **CREDIT BONDS**

3   **SEC. 301. ISSUER ALLOWED REFUNDABLE CREDIT FOR**  
4                           **CERTAIN QUALIFIED TAX CREDIT BONDS.**

5           (a) CREDIT ALLOWED.—Section 6431 is amended by  
6 adding at the end the following new subsection:

7           “(f) APPLICATION OF SECTION TO CERTAIN QUALI-  
8 FIED TAX CREDIT BONDS.—

9                   “(1) IN GENERAL.—In the case of any specified  
10 tax credit bond—

11                           “(A) such bond shall be treated as a quali-  
12 fied bond for purposes of this section,

13                           “(B) subsection (a) shall be applied with-  
14 out regard to the requirement that the qualified  
15 bond be issued before January 1, 2011,

16                           “(C) the amount of the payment deter-  
17 mined under subsection (b) with respect to any  
18 interest payment date under such bond shall  
19 be—

20                                   “(i) in the case of a bond issued by a  
21 qualified small issuer, 65 percent of the  
22 amount of interest payable on such bond  
23 by such issuer with respect to such date,  
24 and

1                   “(ii) in the case of a bond issued by  
2                   any other person, 45 percent of the  
3                   amount of interest payable on such bond  
4                   by such issuer with respect to such date,

5                   “(D) interest on any such bond shall be in-  
6                   cludible in gross income for purposes of this  
7                   title,

8                   “(E) no credit shall be allowed under sec-  
9                   tion 54A with respect to such bond,

10                   “(F) any payment made under subsection  
11                   (b) shall not be includible as income for pur-  
12                   poses of this title, and

13                   “(G) the deduction otherwise allowed  
14                   under this title to the issuer of such bond with  
15                   respect to interest paid under such bond shall  
16                   be reduced by the amount of the payment made  
17                   under this section with respect to such interest.

18                   “(2) DEFINITIONS.—For purposes of this sub-  
19                   section—

20                   “(A) SPECIFIED TAX CREDIT BOND.—The  
21                   term ‘specified tax credit bond’ means any  
22                   qualified tax credit bond (as defined in section  
23                   54A(d)) if—

24                   “(i) such bond is—

1 “(I) a new clean renewable en-  
2 ergy bond (as defined in section 54C),

3 “(II) a qualified energy conserva-  
4 tion bond (as defined in section 54D),

5 “(III) a qualified zone academy  
6 bond (as defined in section 54E), or

7 “(IV) a qualified school construc-  
8 tion bond (as defined in section 54F),

9 and

10 “(ii) the issuer of such bond makes an  
11 irrevocable election to have this subsection  
12 apply

13 “(B) QUALIFIED SMALL ISSUER.—The  
14 term ‘qualified small issuer’ means, with respect  
15 to any calendar year, any issuer who is not rea-  
16 sonably expected to issue tax-exempt bonds  
17 (other than private activity bonds) and specified  
18 tax credit bonds (determined without regard to  
19 whether an election is made under this sub-  
20 section) during such calendar year in an aggre-  
21 gate face amount exceeding \$30,000,000.”.

22 (b) TECHNICAL CORRECTIONS RELATING TO QUALI-  
23 FIED SCHOOL CONSTRUCTION BONDS.—

24 (1) The second sentence of section 54F(d)(1) is  
25 amended by striking “by the State” and inserting

1 “by the State education agency (or such other agen-  
2 cy as is authorized under State law to make such al-  
3 location)”.

4 (2) The second sentence of section 54F(e) is  
5 amended by striking “subsection (d)(4)” and insert-  
6 ing “paragraphs (2) and (4) of subsection (d)”.

7 (c) EFFECTIVE DATES.—

8 (1) IN GENERAL.—The amendment made by  
9 subsection (a) shall apply to bonds issued after the  
10 date of the enactment of this Act.

11 (2) TECHNICAL CORRECTIONS.—The amend-  
12 ments made by subsection (b) shall take effect as if  
13 included in section 1521 of the American Recovery  
14 and Reinvestment Tax Act of 2009.

15 **TITLE IV—EXTENSION OF CUR-**  
16 **RENT SURFACE TRANSPOR-**  
17 **TATION PROGRAMS**

18 **SEC. 401. SHORT TITLE.**

19 This title may be cited as the “Surface Transpor-  
20 tation Extension Act of 2010”

21 **Subtitle A—Federal-aid Highways**

22 **SEC. 411. IN GENERAL.**

23 (a) IN GENERAL.—Except as provided in this Act,  
24 requirements, authorities, conditions, eligibilities, limita-  
25 tions, and other provisions authorized under titles I, V,

1 and VI of the SAFETEA-LU (119 Stat. 1144), the  
2 SAFETEA-LU Technical Corrections Act of 2008 (122  
3 Stat. 1572), titles I and VI of the Intermodal Surface  
4 Transportation Act of 1991 (105 Stat. 1914), titles I and  
5 V of the Transportation Equity Act for the 21st Century  
6 (112 Stat. 107), and title 23, United States Code (exclud-  
7 ing chapter 4 of that title), which would otherwise expire  
8 on or cease to apply after September 30, 2009, or the date  
9 specified in section 106(3) of the Continuing Appropria-  
10 tions Resolution, 2010 (Public Law 111-68), are incor-  
11 porated by reference and shall continue in effect until De-  
12 cember 31, 2010.

13 (b) AUTHORIZATION OF APPROPRIATIONS.—Except  
14 as provided in section 412, there are authorized to be ap-  
15 propriated out of the Highway Trust Fund (other than  
16 the Mass Transit Account)—

17 (1) for fiscal year 2010, a sum equal to the  
18 total amount authorized to be appropriated out of  
19 the Highway Trust Fund for programs, projects,  
20 and activities for fiscal year 2009 under titles I, V,  
21 and VI of the SAFETEA-LU (119 Stat. 1144), and  
22 title 23, United States Code (excluding chapter 4 of  
23 that title); and

24 (2) for the period beginning on October 1,  
25 2010, and ending on December 31, 2010, a sum

1 equal to 1/4 of the total amount authorized to be  
2 appropriated out of the Highway Trust Fund for  
3 programs, projects, and activities for fiscal year  
4 2009 under titles I, V, and VI of the SAFETEA-  
5 LU (119 Stat. 1144), and title 23, United States  
6 Code (excluding chapter 4 of that title).

7 (c) USE OF FUNDS.—

8 (1) FISCAL YEAR 2010.—Except as otherwise  
9 expressly provided in this Act, funds authorized to  
10 be appropriated under subsection (b)(1) for fiscal  
11 year 2010 shall be distributed, administered, limited,  
12 and made available for obligation in the same man-  
13 ner and at the same level as funds authorized to be  
14 appropriated out of the Highway Trust Fund for fis-  
15 cal year 2009 to carry out programs, projects, activi-  
16 ties, eligibilities, and requirements under the  
17 SAFETEA-LU (119 Stat. 1144), the SAFETEA-  
18 LU Technical Corrections Act of 2008 (122 Stat.  
19 1572), titles I and VI of the Intermodal Surface  
20 Transportation Act of 1991 (105 Stat. 1914), titles  
21 I and V of the Transportation Equity Act for the  
22 21st Century (112 Stat. 107), and title 23, United  
23 States Code (excluding chapter 4 of that title).

24 (2) FISCAL YEAR 2011.—Except as otherwise  
25 expressly provided in this Act, funds authorized to

1 be appropriated under subsection (b)(2) for the pe-  
2 riod beginning on October 1, 2010, and ending on  
3 December 31, 2010, shall be distributed, adminis-  
4 tered, limited, and made available for obligation in  
5 the same manner and at the same level as  $\frac{1}{4}$  of  
6 the total amount of funds authorized to be appro-  
7 priated out of the Highway Trust Fund for fiscal  
8 year 2009 to carry out programs, projects, activities,  
9 eligibilities, and requirements under the SAFETEA-  
10 LU (119 Stat. 1144), the SAFETEA-LU Technical  
11 Corrections Act of 2008 (122 Stat. 1572), titles I  
12 and VI of the Intermodal Surface Transportation  
13 Act of 1991 (105 Stat. 1914), titles I and V of the  
14 Transportation Equity Act for the 21st Century  
15 (112 Stat. 107), and title 23, United States Code  
16 (excluding chapter 4 of that title).

17 (3) CALCULATION.—The amounts authorized to  
18 be appropriated under subsection (b) shall be cal-  
19 culated without regard to any rescission or cancella-  
20 tion of funds or contract authority for fiscal year  
21 2009 under the SAFETEA-LU (119 Stat. 1144) or  
22 any other law.

23 (4) CONTRACT AUTHORITY.—

24 (A) IN GENERAL.—Except as provided in  
25 subparagraph (B), funds authorized to be ap-

1           appropriated under this section shall be available  
2           for obligation and shall be administered in the  
3           same manner as if such funds were apportioned  
4           under chapter 1 of title 23, United States Code,  
5           and—

6                       (i) for fiscal year 2010, shall be sub-  
7                       ject to a limitation on obligations for Fed-  
8                       eral-aid highways and highway safety con-  
9                       struction programs included in an Act  
10                      making appropriations for fiscal year 2010  
11                      or a portion of that fiscal year; and

12                     (ii) for the period beginning on Octo-  
13                     ber 1, 2010, and ending on December 31,  
14                     2010, shall be subject to a limitation on  
15                     obligations included in an Act making ap-  
16                     propriations for fiscal year 2011 or a por-  
17                     tion of that fiscal year, except that during  
18                     such period obligations subject to such lim-  
19                     itation shall not exceed  $\frac{1}{4}$  of the limita-  
20                     tion on obligations included in an Act mak-  
21                     ing appropriations for fiscal year 2011.

22                     (B) EXCEPTIONS.—A limitation on obliga-  
23                     tions described in clause (i) or (ii) of subpara-  
24                     graph (A) shall not apply to any obligation  
25                     under—



1 (i) section 125 of title 23, United  
2 States Code; or

3 (ii) section 105 of title 23, United  
4 States Code—

5 (I) for fiscal year 2010, only in  
6 an amount equal to \$639,000,000;  
7 and

8 (II) for the period beginning on  
9 October 1, 2010, and ending on De-  
10 cember 31, 2010, only in an amount  
11 equal to \$159,750,000.

12 (5) CALCULATIONS FOR DISTRIBUTION OF OB-  
13 LIGATION LIMITATION.—Upon enactment of an Act  
14 making appropriations for the Department of Trans-  
15 portation for fiscal year 2011 (other than an Act or  
16 resolution making continuing appropriations), the  
17 Secretary shall—

18 (A) as necessary for purposes of making  
19 the calculations for the distribution of any obli-  
20 gation limitation under such Act, annualize the  
21 amount of contract authority provided under  
22 this Act for Federal-aid highways and highway  
23 safety construction programs; and

1 (B) multiply the resulting distribution of  
2 any obligation limitation under such Act by  $\frac{1}{4}$ .  
3

4 (d) EXTENSION AND FLEXIBILITY FOR CERTAIN AL-  
5 LOCATED PROGRAMS.—

6 (1) FISCAL YEAR 2010.—Notwithstanding any  
7 other provision of law, for fiscal year 2010, the por-  
8 tion of the share of funds of a State under sub-  
9 section (b)(1) determined by the amount that the  
10 State received or was authorized to receive for fiscal  
11 year 2009 to carry out sections 1301, 1302, 1307,  
12 1702, and 1934 of the SAFETEA-LU (119 Stat.  
13 1198, 1204, 1217, 1256, and 1485), and section  
14 144(f)(1) of title 23, United States Code, shall be—

15 (A) made available to the State for pro-  
16 grams apportioned under sections 104(b) and  
17 144 of title 23, United States Code, and in the  
18 same proportion for each such program that—

19 (i) the amount apportioned to the  
20 State for that program for fiscal year  
21 2009; bears to

22 (ii) the amount apportioned to the  
23 State for fiscal year 2009 for all programs  
24 apportioned under such sections of such  
25 Code; and

1 (B) administered in the same manner and  
2 with the same period of availability as such  
3 funding is administered under programs identi-  
4 fied in subparagraph (A), except that no funds  
5 may be used to carry out the project described  
6 in section 1307(d)(1) of the SAFETEA-LU  
7 (119 Stat. 1217; 122 Stat. 1577).

8 (2) FISCAL YEAR 2011.—Notwithstanding any  
9 other provision of law, for the period beginning on  
10 October 1, 2010, and ending on December 31, 2010,  
11 the portion of the share of funds of a State under  
12 subsection (b)(2) determined by  $\frac{1}{4}$  of the amount  
13 that the State received or was authorized to receive  
14 for fiscal year 2009 to carry out sections 1301,  
15 1302, 1307, 1702, and 1934 of the SAFETEA-LU  
16 (119 Stat. 1198, 1204, 1217, 1256, and 1485) and  
17 section 144(f)(1) of title 23, United States Code,  
18 shall be—

19 (A) made available to the State for pro-  
20 grams apportioned under sections 104(b) and  
21 144 of title 23, United States Code, and in the  
22 same proportion for each such program that—

23 (i) the amount apportioned to the  
24 State for that program for fiscal year  
25 2009; bears to



1 under section 215 of title 23, United  
2 States Code; and

3 (ii) for Puerto Rico, made available  
4 and administered in the same manner as  
5 funding is made available and administered  
6 under section 165 of title 23, United  
7 States Code.

8 (B) FISCAL YEAR 2011.—Notwithstanding  
9 any other provision of law, for the period begin-  
10 ning on October 1, 2010, and ending on De-  
11 cember 31, 2010, the portion of the share of  
12 funds of a territory or Puerto Rico under para-  
13 graph (b)(2) determined by  $\frac{1}{4}$  of the amount  
14 that the territory or Puerto Rico received or  
15 was authorized to receive for fiscal year 2009 to  
16 carry out section 1934 of SAFETEA-LU (119  
17 Stat. 1485), shall be—

18 (i) for a territory, made available and  
19 administered in the same manner as fund-  
20 ing is made available and administered  
21 under section 215 of title 23, United  
22 States Code; and

23 (ii) for Puerto Rico, made available  
24 and administered in the same manner as  
25 funding is made available and administered

1           under section 165 of title 23, United  
2           States Code.

3           (C) TERRITORY DEFINED.—In this para-  
4           graph, the term “territory” means any of the  
5           following territories of the United States: Amer-  
6           ican Samoa, the Commonwealth of the North-  
7           ern Mariana Islands, Guam, or the United  
8           States Virgin Islands.

9           (4) ADDITIONAL FUNDS.—

10           (A) IN GENERAL.—No additional funds  
11           shall be provided for any project or activity  
12           under subsection (c), or paragraph (1) or (2) of  
13           this subsection, that the Secretary of Transpor-  
14           tation determines was sufficiently funded before  
15           or during fiscal year 2009 to achieve the au-  
16           thorized purpose of the project or activity.

17           (B) RESERVATION AND REDISTRIBUTION  
18           OF FUNDS.—Funds made available in accord-  
19           ance with paragraph (1) or (2) of subsection (c)  
20           or paragraph (1) or (2) of this subsection for  
21           a project or activity described in subparagraph  
22           (A) shall be—

23                   (i) reserved by the Secretary of  
24           Transportation; and

1 (ii) distributed to each State in ac-  
2 cordance with paragraph (1) or (2) of sub-  
3 section (c), or paragraph (1) or (2) of this  
4 subsection, as appropriate, for use in car-  
5 rying out other highway projects and ac-  
6 tivities extended by subsection (c) or this  
7 subsection, in the proportion that—

8 (I) the total amount of funds  
9 made available for fiscal year 2009 for  
10 projects and activities described in  
11 subparagraph (A) in the State; bears  
12 to

13 (II) the total amount of funds  
14 made available for fiscal year 2009 for  
15 those projects and activities in all  
16 States.

17 (e) EXTENSION OF AUTHORIZATIONS UNDER TITLE  
18 V OF SAFETEA-LU.—

19 (1) IN GENERAL.—The programs authorized  
20 under paragraphs (1) through (5) of section 5101(a)  
21 of the SAFETEA-LU (119 Stat. 1779) shall be  
22 continued—

23 (A) for fiscal year 2010, at the funding  
24 levels authorized for those programs for fiscal  
25 year 2009; and

1 (B) for the period beginning on October 1,  
2 2010, and ending on December 31, 2010, at \1/  
3 4\ the funding levels authorized for those pro-  
4 grams for fiscal year 2009.

5 (2) DISTRIBUTION OF FUNDS.—Funds for pro-  
6 grams continued under paragraph (1) shall be dis-  
7 tributed to major program areas under those pro-  
8 grams in the same proportions as funds were allo-  
9 cated for those program areas for fiscal year 2009,  
10 except that designations for specific activities shall  
11 not be required to be continued for—

12 (A) fiscal year 2010; or

13 (B) the period beginning on October 1,  
14 2010, and ending on December 31, 2010.

15 (3) ADDITIONAL FUNDS.—

16 (A) IN GENERAL.—No additional funds  
17 shall be provided for any project or activity  
18 under this subsection that the Secretary of  
19 Transportation determines was sufficiently  
20 funded before or during fiscal year 2009 to  
21 achieve the authorized purpose of the project or  
22 activity.

23 (B) DISTRIBUTION.—Funds that would  
24 have been made available under paragraph (1)  
25 for a project or activity but for the prohibition



1 under subparagraph (A) shall be distributed in  
2 accordance with paragraph (2).

3 **SEC. 412. ADMINISTRATIVE EXPENSES.**

4 (a) **AUTHORIZATION OF CONTRACT AUTHORITY.—**

5 Notwithstanding any other provision of this Act or any  
6 other law, there are authorized to be appropriated from  
7 the Highway Trust Fund (other than the Mass Transit  
8 Account), from amounts provided under section 411, for  
9 administrative expenses of the Federal-aid highway pro-  
10 gram—

11 (1) \$422,425,000 for fiscal year 2010; and

12 (2) \$105,606,250 for the period beginning on  
13 October 1, 2010, and ending on December 31, 2010.

14 (b) **CONTRACT AUTHORITY.—**Funds authorized to be  
15 appropriated by this section shall be—

16 (1) available for obligation, and shall be admin-  
17 istered, in the same manner as if such funds were  
18 apportioned under chapter 1 of title 23, United  
19 States Code; and

20 (2) subject to a limitation on obligations for  
21 Federal-aid highways and highway safety construc-  
22 tion programs, except that such funds shall remain  
23 available until expended.

1 **SEC. 413. RESCISSION OF UNOBLIGATED BALANCES.**

2 (a) IN GENERAL.—The Secretary of Transportation  
3 shall restore funds rescinded pursuant to section 10212  
4 of the SAFETEA-LU (Public Law 109-59; 119 Stat.  
5 1937) to the States and to the programs from which the  
6 funds were rescinded.

7 (b) ADMINISTRATION OF FUNDS.—The restored  
8 amounts shall be administered in the same manner as the  
9 funds originally rescinded, except those funds may only  
10 be used with an obligation limitation provided in an Act  
11 making appropriations for Federal-aid highways and high-  
12 way safety construction programs enacted after implemen-  
13 tation of the rescission under section 10212 of the  
14 SAFETEA-LU (Public Law 109-59; 119 Stat. 1937).

15 (c) FUNDING.—

16 (1) IN GENERAL.—There is authorized to be  
17 appropriated from the Highway Trust Fund (other  
18 than the Mass Transit Account) for fiscal year 2010  
19 to carry out this section an amount equal to the  
20 amount of funds rescinded under section 10212 of  
21 the SAFETEA-LU (Public Law 109-59; 119 Stat.  
22 1937).

23 (2) AVAILABILITY FOR OBLIGATION.—Funds  
24 authorized to be appropriated by this section shall  
25 be—

1 (A) made available under this section and  
2 available for obligation in the same manner as  
3 if the funds were apportioned under chapter 1  
4 of title 23, United States Code, except that the  
5 funds shall retain the characteristics of the  
6 funds originally rescinded; and

7 (B) subject to a limitation on obligations  
8 for Federal-aid highways and highway safety  
9 construction programs included in an Act mak-  
10 ing appropriations for fiscal year 2010 or a por-  
11 tion of the fiscal year.

12 (d) LIMITATION.—No funds authorized to be restored  
13 under this section shall be restored after the end of fiscal  
14 year 2010.

15 **SEC. 414. RECONCILIATION OF FUNDS.**

16 The Secretary shall reduce the amount apportioned  
17 or allocated for a program, project, or activity under this  
18 title by amounts apportioned or allocated pursuant to the  
19 Continuing Appropriations Resolution, 2010 (Public Law  
20 111–68).

1 **Subtitle B—National Highway Traf-**  
2 **fic Safety Administration, Fed-**  
3 **eral Motor Carrier Safety Ad-**  
4 **ministration, and Additional**  
5 **Programs**

6 **SEC. 421. EXTENSION OF NATIONAL HIGHWAY TRAFFIC**  
7 **SAFETY ADMINISTRATION HIGHWAY SAFETY**  
8 **PROGRAMS.**

9 (a) CHAPTER 4 HIGHWAY SAFETY PROGRAMS.—Sec-  
10 tion 2001(a)(1) of the SAFETEA-LU (119 Stat. 1519)  
11 is amended—

12 (1) by striking “and”; and

13 (2) by striking “2009.” and inserting “2009,  
14 \$235,000,000 for fiscal year 2010, and \$58,750,000  
15 for the period beginning on October 1, 2010, and  
16 ending on December 31, 2010.”.

17 (b) HIGHWAY SAFETY RESEARCH AND DEVELOP-  
18 MENT.—Section 2001(a)(2) of the SAFETEA-LU (119  
19 Stat. 1519) is amended—

20 (1) by striking “and”; and

21 (2) by striking “2009.” and inserting “2009,  
22 \$107,329,000 for fiscal year 2010, and \$27,061,000  
23 for the period beginning on October 1, 2010, and  
24 ending on December 31, 2010.”.

25 (c) OCCUPANT PROTECTION INCENTIVE GRANTS.—

1           (1) EXTENSION OF PROGRAM.—Section 405(a)  
2 of title 23, United States Code, is amended—

3           (A) in paragraph (3), by striking “6” and  
4 inserting “8”; and

5           (B) in paragraph (4)(C), by striking “fifth  
6 and sixth” and inserting “fifth through eighth”.

7           (2) AUTHORIZATION OF APPROPRIATIONS.—  
8 Section 2001(a)(3) of the SAFETEA–LU (119 Stat.  
9 1519) is amended—

10           (A) by striking “and”; and

11           (B) by striking “2009.” and inserting  
12 “2009, \$25,000,000 for fiscal year 2010, and  
13 \$6,250,000 for the period beginning on October  
14 1, 2010, and ending on December 31, 2010.”.

15           (d) SAFETY BELT PERFORMANCE GRANTS.—Section  
16 2001(a)(4) of the SAFETEA–LU (119 Stat. 1519) is  
17 amended—

18           (1) by striking “and”; and

19           (2) by striking “2009.” and inserting “2009,  
20 \$124,500,000 for fiscal year 2010, and \$31,125,000  
21 for the period beginning on October 1, 2010, and  
22 ending on December 31, 2010.”.

23           (e) STATE TRAFFIC SAFETY INFORMATION SYSTEM  
24 IMPROVEMENTS.—Section 2001(a)(5) of the SAFETEA–  
25 LU (119 Stat. 1519) is amended—

1 (1) by striking “and”; and

2 (2) by striking “2009.” and inserting “2009,  
3 \$34,500,000 for fiscal year 2010, and \$8,625,000  
4 for the period beginning on October 1, 2010, and  
5 ending on December 31, 2010.”.

6 (f) ALCOHOL-IMPAIRED DRIVING COUNTER-  
7 MEASURES INCENTIVE GRANT PROGRAM.—

8 (1) EXTENSION OF PROGRAM.—Section 410 of  
9 title 23, United States Code, is amended—

10 (A) in subsection (a)(3)(C), by striking  
11 “fifth, sixth,, seventh, and eighth” and insert-  
12 ing “fifth through tenth”; and

13 (B) in subsection (b)(2)(C), by striking  
14 “2008 and 2009” and inserting “2008, 2009,  
15 2010, and 2011”.

16 (2) AUTHORIZATION OF APPROPRIATIONS.—  
17 Section 2001(a)(6) of the SAFETEA-LU (119 Stat.  
18 1519) is amended—

19 (A) by striking “and”; and

20 (B) by striking “2009.” and inserting  
21 “2009, \$139,000,000 for fiscal year 2010, and  
22 \$34,750,000 for the period beginning on Octo-  
23 ber 1, 2010, and ending on December 31,  
24 2010.”.

1 (g) NATIONAL DRIVER REGISTER.—Section  
2 2001(a)(7) of the SAFETEA–LU (119 Stat. 1520) is  
3 amended—

4 (1) by striking “and”; and

5 (2) by striking “2009.” and inserting “2009,  
6 \$4,078,000 for fiscal year 2010, and \$1,029,000 for  
7 the period beginning on October 1, 2010, and ending  
8 on December 31, 2010.”.

9 (h) HIGH VISIBILITY ENFORCEMENT PROGRAM.—

10 (1) EXTENSION OF PROGRAM.—Section 2009(a)  
11 of the SAFETEA–LU (23 U.S.C. 402 note) is  
12 amended by striking “2009” and inserting “2011”.

13 (2) AUTHORIZATION OF APPROPRIATIONS.—  
14 Section 2001(a)(8) of the SAFETEA–LU (119 Stat.  
15 1520) is amended—

16 (A) by striking “and”; and

17 (B) by striking “2009.” and inserting  
18 “2009, \$29,000,000 for fiscal year 2010, and  
19 \$7,250,000 for the period beginning on October  
20 1, 2010, and ending on December 31, 2010.”.

21 (i) MOTORCYCLIST SAFETY.—

22 (1) EXTENSION OF PROGRAM.—Section  
23 2010(d)(1)(B) of the SAFETEA–LU (23 U.S.C.  
24 402 note) is amended by striking “and fourth” and  
25 inserting “fourth, fifth, and sixth”.

1           (2) AUTHORIZATION OF APPROPRIATIONS.—  
2           Section 2001(a)(9) of the SAFETEA–LU (119 Stat.  
3           1520) is amended—

4                   (A) by striking “and”; and

5                   (B) by striking “2009.” and inserting  
6           “2009, \$7,000,000 for fiscal year 2010, and  
7           \$1,750,000 for the period beginning on October  
8           1, 2010, and ending on December 31, 2010.”.

9           (j) CHILD SAFETY AND CHILD BOOSTER SEAT SAFE-  
10          TY INCENTIVE GRANTS.—

11           (1) EXTENSION OF PROGRAM.—Section  
12           2011(c)(2) of the SAFETEA–LU (23 U.S.C. 405  
13           note) is amended by striking “fourth fiscal year”  
14           and inserting “fourth, fifth, and sixth fiscal years”.

15           (2) AUTHORIZATION OF APPROPRIATIONS.—  
16           Section 2001(a)(10) of the SAFETEA–LU (119  
17           Stat. 1520) is amended—

18                   (A) by striking “and”; and

19                   (B) by striking “2009.” and inserting  
20           “2009, \$7,000,000 for fiscal year 2010, and  
21           \$1,750,000 for the period beginning on October  
22           1, 2010, and ending on December 31, 2010.”.

23           (k) ADMINISTRATIVE EXPENSES.—Section  
24           2001(a)(11) of the SAFETEA–LU (119 Stat. 1520) is  
25           amended—



1 (1) by striking “and” the last place it appears;

2 and

3 (2) by striking “2009.” and inserting “2009,

4 \$25,047,000 for fiscal year 2010, and \$6,332,000

5 for the period beginning on October 1, 2010, and

6 ending on December 31, 2010.”.

7 (l) APPLICABILITY OF TITLE 23.—Section 2001(c) of

8 the SAFETEA–LU (119 Stat. 1520) is amended by strik-

9 ing “2009” and inserting “2011”.

10 (m) DRUG-IMPAIRED DRIVING ENFORCEMENT.—

11 Section 2013(f) of the SAFETEA–LU (23 U.S.C. 403

12 note) is amended by striking “2009” and inserting

13 “2011”.

14 (n) OLDER DRIVER SAFETY; LAW ENFORCEMENT

15 TRAINING.—Section 2017 of the SAFETEA–LU is

16 amended—

17 (1) in subsection (a)(1) (119 Stat. 1541), by

18 striking “2009” and inserting “2011”; and

19 (2) in subsection (b)(2) (23 U.S.C. 402 note),

20 by striking “2009” and inserting “2011”.

21 **SEC. 422. EXTENSION OF FEDERAL MOTOR CARRIER SAFE-**

22 **TY ADMINISTRATION PROGRAMS.**

23 (a) MOTOR CARRIER SAFETY GRANTS.—Section

24 31104(a) of title 49, United States Code, is amended—

1 (1) in paragraph (4), by striking “and” at the  
2 end;

3 (2) in paragraph (5), by striking the period at  
4 the end and inserting “; and”; and

5 (3) by adding at the end the following:

6 “(6) \$209,000,000 for fiscal year 2010; and

7 “(7) \$52,679,000 for the period beginning on  
8 October 1, 2010, and ending on December 31,  
9 2010.”.

10 (b) ADMINISTRATIVE EXPENSES.—Section  
11 31104(i)(1) of title 49, United States Code, is amended—

12 (1) in subparagraph (D), by striking “and”;

13 (2) in subparagraph (E), by striking the period  
14 at the end and inserting “; and”; and

15 (3) by adding at the end the following:

16 “(F) “(F) \$239,828,000 for fiscal year  
17 2010; and

18 “(G) “(G) \$61,036,000 for the period be-  
19 ginning on October 1, 2010, and ending on De-  
20 cember 31, 2010.”.

21 (c) GRANT PROGRAMS.—Section 4101(c) of the  
22 SAFETEA-LU (119 Stat.1715) is amended—

23 (1) in paragraph (1), by striking “2009.” and  
24 inserting “2009, and \$25,000,000 for fiscal year  
25 2010, and \$6,301,000 for the period beginning on

1       October 1, 2010, and ending on December 31,  
2       2010.”;

3               (2) in paragraph (2), by striking “2009.” and  
4       inserting “2009, \$32,000,000 for fiscal year 2010,  
5       and \$8,066,000 for the period beginning on October  
6       1, 2010, and ending on December 31, 2010.”;

7               (3) in paragraph (3), by striking “2009.” and  
8       inserting “2009, \$5,000,000 for fiscal year 2010,  
9       and \$1,260,000 for the period beginning on October  
10      1, 2010, and ending on December 31, 2010.”;

11              (4) in paragraph (4), by striking “2009.” and  
12      inserting “2009, \$25,000,000 for fiscal year 2010,  
13      and \$6,301,000 for the period beginning on October  
14      1, 2010, and ending on December 31, 2010.”; and

15              (5) in paragraph (5), by striking “2009.” and  
16      inserting “2009, \$3,000,000 for fiscal year 2010,  
17      and \$756,000 for the period beginning on October  
18      1, 2010, and ending on December 31, 2010.”.

19      (d) HIGH-PRIORITY ACTIVITIES.—Section 31104(k)  
20      of title 49, United States Code, is amended by striking  
21      “2009” in paragraph (2) and inserting “2009,  
22      \$15,000,000 for fiscal year 2010, and \$3,781,000 for the  
23      period beginning on October 1, 2010, and ending on De-  
24      cember 31, 2010”.

1 (e) NEW ENTRANT AUDITS.—Section  
2 31144(g)(5)(B) of title 49, United States Code, is amend-  
3 ed by inserting “(and up to \$7,310,000 for the period be-  
4 ginning on October 1, 2010, and ending on December 31,  
5 2010)” after “fiscal year”.

6 (f) COMMERCIAL DRIVER’S LICENSE INFORMATION  
7 SYSTEM MODERNIZATION.—Section 4123(d) of the  
8 SAFETEA-LU (119 Stat.1736) is amended—

9 (1) in paragraph (3), by striking “and” at the  
10 end;

11 (2) in paragraph (4), by striking the period at  
12 the end and inserting a semicolon; and

13 (3) by adding at the end the following:

14 “(5) \$8,000,000 for fiscal year 2010; and

15 “(6) \$2,016,000 for the period beginning on  
16 October 1, 2010, and ending on December 31,  
17 2010.”.

18 (g) OUTREACH AND EDUCATION.—Section 4127(e)  
19 of the SAFETEA-LU (119 Stat.1741) is amended by  
20 striking “and 2009” and inserting “2009, and 2010, and  
21 \$252,000 to the Federal Motor Carrier Safety Adminis-  
22 tration, and \$756,000 to the National Highway Traffic  
23 Safety Administration, for the period beginning on Octo-  
24 ber 1, 2010, and ending on December 31, 2010,”.

1 (h) GRANT PROGRAM FOR COMMERCIAL MOTOR VE-  
2 HICLE OPERATORS.—Section 4134(c) of the SAFETEA-  
3 LU (119 Stat.1744) is amended by striking “2009” and  
4 inserting “2009, 2010, and \$252,000 for the period begin-  
5 ning on October 1, 2010, and ending on December 31,  
6 2010,”.

7 (i) MOTOR CARRIER SAFETY ADVISORY COM-  
8 MITTEE.—Section 4144(d) of the SAFETEA-LU (1119  
9 Stat.1748) is amended by striking “September 30, 2010”  
10 and inserting “December 31, 2010”.

11 (j) WORKING GROUP FOR DEVELOPMENT OF PRAC-  
12 TICES AND PROCEDURES TO ENHANCE FEDERAL-STATE  
13 RELATIONS.—Section 4213(d) of the SAFETEA-LU (49  
14 U.S.C. 14710 note) is amended by striking “September  
15 30, 2009” and inserting “December 31, 2010”.

16 **SEC. 423. ADDITIONAL PROGRAMS.**

17 (a) HAZARDOUS MATERIALS RESEARCH  
18 PROJECTS.—Section 7131(c) of the SAFETEA-LU (119  
19 Stat. 1910) is amended by striking “through 2009” and  
20 inserting “through 2010, and \$315,000 for the period be-  
21 ginning on October 1, 2010, and ending on December 31,  
22 2010,”.

23 (b) DINGELL-JOHNSON SPORT FISH RESTORATION  
24 ACT.—Section 4 of the Dingell-Johnson Sport Fish Res-  
25 toration Act (16 U.S.C. 777c) is amended—

1           (1) in subsection (a), in the matter preceding  
2 paragraph (1), by striking “2009,” and inserting  
3 “2010 and for the period beginning on October 1,  
4 2010, and ending on December 31, 2010,”; and

5           (2) in subsection (b)(1)(A), by striking “2010,”  
6 and inserting “and for the period beginning on Octo-  
7 ber 1, 2010, and ending on December 31, 2010,”.

8       **Subtitle C—Public Transportation**  
9                               **Programs**

10   **SEC. 431. ALLOCATION OF FUNDS FOR PLANNING PRO-**  
11                               **GRAMS.**

12       Section 5305(g) of title 49, United States Code, is  
13 amended by striking “2009” and inserting “2010, and for  
14 the period beginning October 1, 2010, and ending Decem-  
15 ber 31, 2010,”.

16   **SEC. 432. SPECIAL RULE FOR URBANIZED AREA FORMULA**  
17                               **GRANTS.**

18       Section 5307(b)(2) of title 49, United States Code,  
19 is amended—

20           (1) in the paragraph heading, by striking  
21 “2009” and inserting “2010, AND THE PERIOD BEGIN-  
22 NING OCTOBER 1, 2010, AND ENDING DECEMBER 31,  
23 2010”;

1           (2) in subparagraph (A), by striking “2009,”  
2           and inserting “2010, and the period beginning Octo-  
3           ber 1, 2010, and ending December 31, 2010,”; and

4           (3) in subparagraph (E)—

5           (A) in the subparagraph heading, by strik-  
6           ing “AND 2009” and inserting “THROUGH 2010  
7           AND DURING THE PERIOD BEGINNING OCTOBER  
8           1, 2010, AND ENDING DECEMBER 31, 2010”; and

9           (B) in the matter preceding clause (i), by  
10          striking “and 2009” and inserting “through  
11          2010, and during the period beginning October  
12          1, 2010, and ending December 31, 2010,”.

13 **SEC. 433. ALLOCATING AMOUNTS FOR CAPITAL INVEST-**  
14 **MENT GRANTS.**

15          Section 5309(m) of title 49, United States Code, is  
16 amended—

17          (1) in paragraph (2)—

18           (A) in the heading, by striking “2009” and  
19           inserting “2010 AND OCTOBER 1, 2010, THROUGH  
20           DECEMBER 31, 2010”;

21           (B) in the matter preceding subparagraph  
22           (A), by striking “2009” and inserting “2010,  
23           and during the period beginning October 1,  
24           2010, and ending December 31, 2010,”; and

1 (C) in subparagraph (A)(i), by striking  
2 “2009” and inserting “2010, and \$50,000,000  
3 for the period beginning October 1, 2010, and  
4 ending December 31, 2010,”;

5 (2) in paragraph (6)—

6 (A) in subparagraph (B), by striking  
7 “2009” and inserting “2010, and \$3,750,000  
8 shall be available for the period beginning Octo-  
9 ber 1, 2010, and ending December 31, 2010,”;  
10 and

11 (B) in subparagraph (C), by striking  
12 “2009” and inserting “2010, and \$1,250,000  
13 shall be available for the period beginning Octo-  
14 ber 1, 2010 and ending December 31, 2010,”;  
15 and

16 (3) in paragraph (7)—

17 (A) in subparagraph (A)—

18 (i) by redesignating clauses (i)  
19 through (viii) as subclauses (I) through  
20 (VIII), respectively;

21 (ii) in the matter preceding subclause  
22 (I), as so redesignated, by striking  
23 “\$10,000,000” and all that follows  
24 through “2009” and inserting the fol-  
25 lowing:



1                   “(i) FISCAL YEARS 2006 THROUGH  
2                   2010.—\$10,000,000 shall be available in  
3                   each of fiscal years 2006 through 2010”;  
4                   and

5                   (iii) by inserting after subclause  
6                   (VIII), as so redesignated, the following:

7                   “(ii) SPECIAL RULE FOR OCTOBER 1,  
8                   2010, THROUGH DECEMBER 31, 2010.—  
9                   \$2,500,000 shall be available in the period  
10                  beginning October 1, 2010, and ending De-  
11                  cember 31, 2010, for ferry boats or ferry  
12                  terminal facilities. The Secretary shall set  
13                  aside a portion of such amount in accord-  
14                  ance with clause (i), except that the Sec-  
15                  retary shall set aside 25 percent of each  
16                  dollar amount specified in subclauses (I)  
17                  through (VIII).”;

18                  (B) in subparagraph (B), by inserting  
19                  after “2009.” the following:

20                  “(v) \$13,500,000 for fiscal year 2010.

21                  “(vi) \$3,375,000 for the period begin-  
22                  ning October 1, 2010, and ending Decem-  
23                  ber 31, 2010.”;

24                  (C) in subparagraph (C), by inserting “,  
25                  and during the period beginning October 1,



1 (2) by adding at the end the following:

2 “(g) SPECIAL RULE FOR OCTOBER 1, 2010,  
3 THROUGH DECEMBER 31, 2010.—The Secretary shall ap-  
4 portion amounts made available for fixed guideway mod-  
5 ernization under section 5309 for the period beginning Oc-  
6 tober 1, 2010, and ending December 31, 2010, in accord-  
7 ance with subsection (a), except that the Secretary shall  
8 apportion 25 percent of each dollar amount specified in  
9 subsection (a).”.

10 **SEC. 436. AUTHORIZATIONS FOR PUBLIC TRANSPOR-**  
11 **TATION.**

12 (a) FORMULA AND BUS GRANTS.—Section 5338(b)  
13 of title 49, United States Code, is amended—

14 (1) in paragraph (1)—

15 (A) in subparagraph (C), by striking  
16 “and” at the end;

17 (B) in subparagraph (D), by striking the  
18 period at the end and inserting a semicolon;

19 and

20 (C) by adding at the end the following:

21 “(E) \$8,360,565,000 for fiscal year 2010;

22 and

23 “(F) \$2,090,141,250 for the period begin-  
24 ning October 1, 2010, and ending December

25 31, 2010.”; and

1 (2) in paragraph (2)—

2 (A) in subparagraph (A), by striking “and  
3 \$113,500,000 for fiscal year 2009” and insert-  
4 ing “\$113,500,000 for each of fiscal years 2009  
5 and 2010, and \$28,375,000 for the period be-  
6 ginning October 1, 2010, and ending December  
7 31, 2010,”;

8 (B) in subparagraph (B), by striking “and  
9 \$4,160,365,000 for fiscal year 2009” and in-  
10 sserting “\$4,160,365,000 for each of fiscal years  
11 2009 and 2010, and \$1,040,091,250 for the pe-  
12 riod beginning October 1, 2010, and ending De-  
13 cember 31, 2010,”;

14 (C) in subparagraph (C), by striking “and  
15 \$51,500,000 for fiscal year 2009” and inserting  
16 “\$51,500,000 for each of fiscal years 2009 and  
17 2010, and \$12,875,000 for the period beginning  
18 October 1, 2010, and ending December 31,  
19 2010,”;

20 (D) in subparagraph (D), by striking “and  
21 \$1,666,500,000 for fiscal year 2009” and in-  
22 sserting “\$1,666,500,000 for each of fiscal years  
23 2009 and 2010, and \$416,625,000 for the pe-  
24 riod beginning October 1, 2010 and ending De-  
25 cember 31, 2010,”;

1           (E) in subparagraph (E), by striking “and  
2           \$984,000,000 for fiscal year 2009” and insert-  
3           ing “\$984,000,000 for each of fiscal years 2009  
4           and 2010, and \$246,000,000 for the period be-  
5           ginning October 1, 2010 and ending December  
6           31, 2010,”;

7           (F) in subparagraph (F), by striking “and  
8           \$133,500,000 for fiscal year 2009” and insert-  
9           ing “\$133,500,000 for each of fiscal years 2009  
10          and 2010, and \$33,375,000 for the period be-  
11          ginning October 1, 2010 and ending December  
12          31, 2010,”;

13          (G) in subparagraph (G), by striking “and  
14          \$465,000,000 for fiscal year 2009” and insert-  
15          ing “\$465,000,000 for each of fiscal years 2009  
16          and 2010, and \$116,250,000 for the period be-  
17          ginning October 1, 2010 and ending December  
18          31, 2010,”;

19          (H) in subparagraph (H), by striking “and  
20          \$164,500,000 for fiscal year 2009” and insert-  
21          ing “\$164,500,000 for each of fiscal years 2009  
22          and 2010, and \$41,125,000 for the period be-  
23          ginning October 1, 2010 and ending December  
24          31, 2010,”;

1 (I) in subparagraph (I), by striking “and  
2 \$92,500,000 for fiscal year 2009” and inserting  
3 “\$92,500,000 for each of fiscal years 2009 and  
4 2010, and \$23,125,000 for the period beginning  
5 October 1, 2010 and ending December 31,  
6 2010,”;

7 (J) in subparagraph (J), by striking “and  
8 \$26,900,000 for fiscal year 2009” and inserting  
9 “\$26,900,000 for each of fiscal years 2009 and  
10 2010, and \$6,725,000 for the period beginning  
11 October 1, 2010 and ending December 31,  
12 2010,”;

13 (K) in subparagraph (K), by striking “and  
14 \$3,500,000 for fiscal year 2009” and inserting  
15 “\$3,500,000 for each of fiscal years 2009 and  
16 2010, and \$875,000 for the period beginning  
17 October 1, 2010 and ending December 31,  
18 2010,”;

19 (L) in subparagraph (L), by striking “and  
20 \$25,000,000 for fiscal year 2009” and inserting  
21 “\$25,000,000 for each of fiscal years 2009 and  
22 2010, and \$6,250,000 for the period beginning  
23 October 1, 2010 and ending December 31,  
24 2010,”;

1 (M) in subparagraph (M), by striking “and  
2 \$465,000,000 for fiscal year 2009” and insert-  
3 ing “\$465,000,000 for each of fiscal years 2009  
4 and 2010, and \$116,250,000 for the period be-  
5 ginning October 1, 2010 and ending December  
6 31, 2010,”; and

7 (N) in subparagraph (N), by striking “and  
8 \$8,800,000 for fiscal year 2009” and inserting  
9 “\$8,800,000 for each of fiscal years 2009 and  
10 2010, and \$2,200,000 for the period beginning  
11 October 1, 2010 and ending December 31,  
12 2010,”.

13 (b) CAPITAL INVESTMENT GRANTS.—Section  
14 5338(c) of title 49, United States Code, is amended—

15 (1) in paragraph (3), by striking “and” at the  
16 end;

17 (2) in paragraph (4), by striking the period at  
18 the end and inserting a semicolon; and

19 (3) by adding at the end the following:

20 “(5) \$2,000,000,000 for fiscal year 2010; and

21 “(6) \$500,000,000 for the period of October 1,  
22 2010 through December 31, 2010.”.

23 (c) RESEARCH AND UNIVERSITY RESEARCH CEN-  
24 TERS.—Section 5338(d) of title 49, United States Code,  
25 is amended—

1           (1) in paragraph (1), in the matter preceding  
2           subparagraph (A), by striking “and \$69,750,000 for  
3           fiscal year 2009” and inserting “\$69,750,000 for  
4           each of fiscal years 2009 and 2010, and  
5           \$17,437,500 for the period beginning October 1,  
6           2010, and ending December 31, 2010”; and

7           (2) by adding at the end the following:

8           “(3) ADDITIONAL AUTHORIZATIONS.—

9           “(A) IN GENERAL.—

10           “(i) FISCAL YEAR 2010.—Of amounts  
11           authorized to be appropriated for fiscal  
12           year 2010 under paragraph (1), the Sec-  
13           retary shall allocate for each of the activi-  
14           ties and projects described in subpara-  
15           graphs (A) through (F) of paragraph (1)  
16           an amount equal to the amount allocated  
17           for fiscal year 2009 under each such sub-  
18           paragraph.

19           “(ii) OCTOBER 1, 2010 THROUGH DE-  
20           CEMBER 31, 2010.—Of amounts authorized  
21           to be appropriated for the period beginning  
22           October 1, 2010, through December 31,  
23           2010, under paragraph (1), the Secretary  
24           shall allocate for each of the activities and  
25           projects described in subparagraphs (A)



1 through (F) of paragraph (1) an amount  
2 equal to 25 percent of the amount allo-  
3 cated for fiscal year 2009 under each such  
4 subparagraph.

5 “(B) UNIVERSITY CENTERS PROGRAM.—

6 “(i) FISCAL YEAR 2010.—Of the  
7 amounts allocated under subparagraph  
8 (A)(i) for the university centers program  
9 under section 5506 for fiscal year 2010,  
10 the Secretary shall allocate for each pro-  
11 gram described in clauses (i) through (iii)  
12 and (v) through (viii) of paragraph (2)(A)  
13 an amount equal to the amount allocated  
14 for fiscal year 2009 under each such  
15 clause.

16 “(ii) OCTOBER 1, 2010 THROUGH DE-  
17 CEMBER 31, 2010.—Of the amounts allo-  
18 cated under subparagraph (A)(i) for the  
19 university centers program under section  
20 5506 for the period beginning October 1,  
21 2010, and ending December 31, 2010, the  
22 Secretary shall allocate for each program  
23 described in clauses (i) through (iii) and  
24 (v) through (viii) of paragraph (2)(A) an  
25 amount equal to 25 percent of the amount

1 allocated for fiscal year 2009 under each  
2 such clause.

3 “(iii) FUNDING.—If the Secretary de-  
4 termines that a project or activity de-  
5 scribed in paragraph (2) received sufficient  
6 funds in fiscal year 2009, or a previous fis-  
7 cal year, to carry out the purpose for  
8 which the project or activity was author-  
9 ized, the Secretary may not allocate any  
10 amounts under clause (i) or (ii) for the  
11 project or activity for fiscal year 2010, or  
12 any subsequent fiscal year.”.

13 (d) ADMINISTRATION.—Section 5338(e) of title 49,  
14 United States Code, is amended—

15 (1) in paragraph (3), by striking “and” at the  
16 end;

17 (2) in paragraph (4), by striking the period at  
18 the end and inserting a semicolon; and

19 (3) by adding at the end the following:

20 “(5) \$98,911,000 for fiscal year 2010; and

21 “(6) \$24,727,750 for the period beginning Oc-  
22 tober 1, 2010, and ending December 31, 2010.”.

23 **SEC. 437. AMENDMENTS TO SAFETEA-LU.**

24 (a) CONTRACTED PARATRANSIT PILOT.—Section  
25 3009(i)(1) of the SAFETEA-LU (Public Law 109-59;

1 119 Stat. 1572) is amended by striking “2009” and in-  
2 serting “2010, and for the period beginning October 1,  
3 2010, and ending December 31, 2010”.

4 (b) PUBLIC-PRIVATE PARTNERSHIP PILOT PRO-  
5 GRAM.—Section 3011 of the SAFETEA-LU (49 U.S.C.  
6 5309 note) is amended—

7 (1) in subsection (c)(5), by striking “2009” and  
8 inserting “2010 and the period beginning October 1,  
9 2010, and ending December 31, 2010”; and

10 (2) in subsection (d), by striking “2009” and  
11 inserting “2010, and for the period beginning Octo-  
12 ber 1, 2010, and ending December 31, 2010”.

13 (c) ELDERLY INDIVIDUALS AND INDIVIDUALS WITH  
14 DISABILITIES PILOT PROGRAM.—Section 3012(b)(8) of  
15 the SAFETEA-LU (49 U.S.C. 5310 note) is amended by  
16 striking “September 30, 2009” and inserting “December  
17 31, 2010”.

18 (d) OBLIGATION CEILING.—Section 3040 of the  
19 SAFETEA-LU (Public Law 109–59; 119 Stat. 1639) is  
20 amended—

21 (1) in paragraph (4), by striking “and” at the  
22 end;

23 (2) in paragraph (5), by striking the period at  
24 the end and inserting a semicolon; and

25 (3) by adding at the end the following:

1           “(6) \$10,507,752,000 for fiscal year 2010, of  
2           which not more than \$8,360,565,000 shall be from  
3           the Mass Transit Account; and

4           “(7) \$2,626,938,000 for the period beginning  
5           October 1, 2010, and ending December 31, 2010, of  
6           which not more than \$2,090,141,250 shall be from  
7           the Mass Transit Account.”.

8           (e) PROJECT AUTHORIZATIONS FOR NEW FIXED  
9           GUIDEWAY CAPITAL PROJECTS.—Section 3043 of the  
10          SAFETEA-LU (Public Law 109–59; 119 Stat. 1640) is  
11          amended—

12           (1) in subsection (b), in the matter preceding  
13          paragraph (1), by striking “2009” and inserting  
14          “2010, and for the period beginning October 1,  
15          2010, and ending December 31, 2010,”; and

16           (2) in subsection (c), in the matter preceding  
17          paragraph (1), by striking “2009” and inserting  
18          “2010, and for the period beginning October 1,  
19          2010, and ending December 31, 2010,”.

20          (f) ALLOCATIONS FOR NATIONAL RESEARCH AND  
21          TECHNOLOGY PROGRAMS.—Section 3046 of the  
22          SAFETEA-LU (49 U.S.C. 5338 note) is amended—

23           (1) in subsection (b), by inserting “or period”  
24          after “fiscal year”; and

25           (2) by adding at the end the following:

1       “(c) ADDITIONAL APPROPRIATIONS.—The Secretary  
2 shall allocate amounts appropriated pursuant to section  
3 5338(d) of title 49, United States Code, for national re-  
4 search and technology programs under sections 5312,  
5 5314, and 5322 of such title—

6               “(1) for fiscal year 2010, in amounts equal to  
7 the amounts allocated for fiscal year 2009 under  
8 each of paragraphs (2), (3), (5), (6), and (8)  
9 through (25) of subsection (a); and

10              “(2) for the period beginning October 1, 2010,  
11 and ending December 31, 2010, in amounts equal to  
12 25 percent of the amounts allocated for fiscal year  
13 2009 under each of paragraphs (2), (3), (5), (6),  
14 and (8) through (25) of subsection (a).

15       “(d) FUNDING.—If the Secretary determines that a  
16 project or activity described in subsection (a) received suf-  
17 ficient funds in fiscal year 2009, or a previous fiscal year,  
18 to carry out the purpose for which the project or activity  
19 was authorized, the Secretary may not allocate any  
20 amounts under subsection (c) for the project or activity  
21 for fiscal year 2010, or any subsequent fiscal year.”.

1       **Subtitle D—Revenue Provisions**

2       **SEC. 441. REPEAL OF PROVISION PROHIBITING THE CRED-**  
3                               **ITING OF INTEREST TO THE HIGHWAY TRUST**  
4                               **FUND.**

5           (a) **IN GENERAL.**—Paragraph (1) of section 9503(f)  
6 is amended by striking subparagraph (B).

7           (b) **CONFORMING AMENDMENTS.**—Such paragraph,  
8 as amended by paragraph (1), is further amended—

9                   (1) by striking “, and” at the end of subpara-  
10 graph (A) and inserting a period; and

11                   (2) by striking “1998” in the matter preceding  
12 subparagraph (A) and all that follows through “the  
13 opening balance” and inserting “1998, the opening  
14 balance”.

15           (c) **EFFECTIVE DATE.**—The amendments made by  
16 this section shall take effect on the date of the enactment  
17 of this title.

18       **SEC. 442. RESTORATION OF CERTAIN FOREGONE INTEREST**  
19                               **TO HIGHWAY TRUST FUND.**

20           (a) **IN GENERAL.**—Paragraph (2) of section 9503(f)  
21 is amended to read as follows:

22                   “(2) **RESTORATION OF FOREGONE INTEREST.**—  
23           Out of money in the Treasury not otherwise appro-  
24           priated, there is hereby appropriated—

1                   “(A) \$14,700,000,000 to the Highway Ac-  
2                   count (as defined in subsection (e)(5)(B)) in  
3                   the Highway Trust Fund; and

4                   “(B) \$4,800,000,000 to the Mass Transit  
5                   Account in the Highway Trust Fund.”.

6           (b) CONFORMING AMENDMENT.—Paragraph (1) of  
7           section 9503(e) is amended by striking “this subsection”  
8           and inserting “this section”.

9           (c) EFFECTIVE DATE.—The amendments made by  
10           this section shall take effect on the date of the enactment  
11           of this Act.

12   **SEC. 443. TREATMENT OF CERTAIN AMOUNTS APPRO-**  
13                   **PRIATED TO HIGHWAY TRUST FUND.**

14           (a) IN GENERAL.—Section 9503(f), as amended by  
15           this Act, is amended by adding at the end the following  
16           new paragraph:

17                   “(4) TREATMENT OF APPROPRIATED  
18                   AMOUNTS.—Any amount appropriated under this  
19                   subsection to the Highway Trust Fund shall remain  
20                   available without fiscal year limitation.”.

21           (b) EFFECTIVE DATE.—The amendment made by  
22           this section shall take effect on the date of the enactment  
23           of this Act.

1 **SEC. 444. TERMINATION OF TRANSFERS FROM HIGHWAY**  
2 **TRUST FUND FOR CERTAIN REPAYMENTS**  
3 **AND CREDITS.**

4 (a) IN GENERAL.—Section 9503(c) is amended by  
5 striking paragraph (2) and by redesignating paragraphs  
6 (3), (4), (5), and (6) as paragraphs (2), (3), (4), and (5),  
7 respectively.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 9502(a) is amended by striking  
10 “section 9503(c)(7)” and inserting “section  
11 9503(c)(5)”.

12 (2) Section 9503(b)(4)(D) is amended by strik-  
13 ing “paragraph (4)(D) or (5)(B)” and inserting  
14 “paragraph (3)(D) or (4)(B)”.

15 (3) Paragraph (2) of section 9503(c), as redesi-  
16 gnated by subsection (a), is amended by adding at  
17 the end the following new sentence: “The amounts  
18 payable from the Highway Trust Fund under the  
19 preceding sentence shall be determined by taking  
20 into account only the portion of the taxes which are  
21 deposited into the Highway Trust Fund.”.

22 (4) Section 9503(e)(5)(A) is amended by strik-  
23 ing “(2), (3), and (4)” and inserting “(2) and (3)”.

24 (5) Section 9504(a) is amended by striking  
25 “section 9503(c)(4), section 9503(c)(5)” and insert-  
26 ing “section 9503(c)(3), section 9503(c)(4)”.



1           (6) Section 9504(b)(2) is amended by striking  
2           “section 9503(c)(5)” and inserting “section  
3           9503(c)(4)”.

4           (7) Section 9504(e) is amended by striking  
5           “section 9503(c)(4)” and inserting section  
6           “9503(c)(3)”.

7           (c) EFFECTIVE DATE.—The amendment made by  
8 this section shall apply to transfers relating to amounts  
9 paid and credits allowed after the date of the enactment  
10 of this Act.

11 **SEC. 445. EXTENSION OF AUTHORITY FOR EXPENDITURES.**

12           (a) HIGHWAYS TRUST FUND.—

13           (1) HIGHWAY ACCOUNT.—Paragraph (1) of sec-  
14 tion 9503(c) is amended—

15           (A) by striking “September 30, 2009 (Oc-  
16 tober 1, 2009” and inserting “December 31,  
17 2010 (January 1, 2011”;

18           (B) by striking “under” and all that fol-  
19 lows and inserting “under the Surface Trans-  
20 portation Extension Act of 2010 or any other  
21 provision of law which was referred to in this  
22 paragraph before the date of the enactment of  
23 such Act (as such Act and provisions of law are  
24 in effect on the date of the enactment of such  
25 Act).”.

1           (2) MASS TRANSIT ACCOUNT.—Paragraph (3)  
2 of section 9503(e) is amended—

3           (A) by striking “October 1, 2009” and in-  
4 sserting “January 1, 2011”; and

5           (B) by striking “in accordance with” and  
6 all that follows and inserting “in accordance  
7 with the Surface Transportation Extension Act  
8 of 2010 or any other provision of law which was  
9 referred to in this paragraph before the date of  
10 the enactment of such Act (as such Act and  
11 provisions of law are in effect on the date of the  
12 enactment of such Act).”.

13           (3) EXCEPTION TO LIMITATION ON TRANS-  
14 FERS.—Subparagraph (B) of section 9503(b)(6) is  
15 amended by striking “September 30, 2009 (October  
16 1, 2009” and inserting “December 31, 2010 (Janu-  
17 ary 1, 2011”.

18           (b) SPORT FISH RESTORATION AND BOATING TRUST  
19 FUND.—

20           (1) IN GENERAL.—Paragraph (2) of section  
21 9504(b) is amended—

22           (A) by striking “(as in effect” in subpara-  
23 graph (A) and all that follows in such subpara-  
24 graph and inserting “(as in effect on the date

1 of the enactment of the Surface Transportation  
2 Extension Act of 2010),”

3 (B) by striking “(as in effect” in subpara-  
4 graph (B) and all that follows in such subpara-  
5 graph and inserting “(as in effect on the date  
6 of the enactment of the Surface Transportation  
7 Extension Act of 2010), and”, and

8 (C) by striking “(as in effect” in subpara-  
9 graph (C) and all that follows in such subpara-  
10 graph and inserting “(as in effect on the date  
11 of the enactment of the Surface Transportation  
12 Extension Act of 2010).”.

13 (2) EXCEPTION TO LIMITATION ON TRANS-  
14 FERS.—Paragraph (2) of section 9504(d) is amend-  
15 ed by striking “October 1, 2009” and inserting  
16 “January 1, 2011”.

17 (c) EFFECTIVE DATE.—The amendments made by  
18 this section shall take effect on September 30, 2009.

19 **SEC. 446. LEVEL OF OBLIGATION LIMITATIONS.**

20 (a) HIGHWAY CATEGORY.—Section 8003(a) of the  
21 SAFETEA-LU (2 U.S.C. 901 note; 119 Stat. 1917) is  
22 amended—

23 (1) in paragraph (4), by striking “and” at the  
24 end;

1           (2) in paragraph (5), by striking the period at  
2           the end and inserting “; and”; and

3           (3) by adding at the end the following:

4           “(6) for the period beginning on October 1,  
5           2009, and ending on September 30, 2010,  
6           \$42,469,970,178.

7           “(7) for the period beginning on October 1,  
8           2010, and ending on December 31, 2010,  
9           \$10,617,492,545.”.

10          (b) MASS TRANSIT CATEGORY.—Section 8003(b) of  
11          the SAFETEA–LU (2 U.S.C. 901 note; 119 Stat. 1917)  
12          is amended—

13           (1) in paragraph (4), by striking “and” at the  
14           end;

15           (2) in paragraph (5), by striking the period at  
16           the end and inserting “; and”; and

17           (3) by adding at the end the following:

18           “(6) for the period beginning on October 1,  
19           2009, and ending on December 31, 2010,  
20           \$10,338,065,000.

21           “(7) for the period beginning on October 1,  
22           2010, and ending on December 31, 2010,  
23           \$2,584,516,250.”.

1 (c) TREATMENT OF FUNDS.—No adjustment pursu-  
2 ant to section 110 of title 23, United States Code, shall  
3 be made for fiscal year 2010 or fiscal year 2011.

4 **TITLE V—OFFSET PROVISIONS**  
5 **Subtitle A—Foreign Account Tax**  
6 **Compliance**

7 **PART I—INCREASED DISCLOSURE OF**  
8 **BENEFICIAL OWNERS**

9 **SEC. 501. REPORTING ON CERTAIN FOREIGN ACCOUNTS.**

10 (a) IN GENERAL.—The Internal Revenue Code of  
11 1986 is amended by inserting after chapter 3 the following  
12 new chapter:

13 **“CHAPTER 4—TAXES TO ENFORCE RE-**  
14 **PORTING ON CERTAIN FOREIGN AC-**  
15 **COUNTS**

“Sec. 1471. Withholdable payments to foreign financial institutions.

“Sec. 1472. Withholdable payments to other foreign entities.

“Sec. 1473. Definitions.

“Sec. 1474. Special rules.

16 **“SEC. 1471. WITHHOLDABLE PAYMENTS TO FOREIGN FI-**  
17 **NANCIAL INSTITUTIONS.**

18 “(a) IN GENERAL.—In the case of any withholdable  
19 payment to a foreign financial institution which does not  
20 meet the requirements of subsection (b), the withholding  
21 agent with respect to such payment shall deduct and with-  
22 hold from such payment a tax equal to 30 percent of the  
23 amount of such payment.

1 “(b) REPORTING REQUIREMENTS, ETC.—

2 “(1) IN GENERAL.—The requirements of this  
3 subsection are met with respect to any foreign finan-  
4 cial institution if an agreement is in effect between  
5 such institution and the Secretary under which such  
6 institution agrees—

7 “(A) to obtain such information regarding  
8 each holder of each account maintained by such  
9 institution as is necessary to determine which  
10 (if any) of such accounts are United States ac-  
11 counts,

12 “(B) to comply with such verification and  
13 due diligence procedures as the Secretary may  
14 require with respect to the identification of  
15 United States accounts,

16 “(C) in the case of any United States ac-  
17 count maintained by such institution, to report  
18 on an annual basis the information described in  
19 subsection (c) with respect to such account,

20 “(D) to deduct and withhold a tax equal to  
21 30 percent of—

22 “(i) any passthru payment which is  
23 made by such institution to a recalcitrant  
24 account holder or another foreign financial

1 institution which does not meet the re-  
2 quirements of this subsection, and

3 “(ii) in the case of any passthru pay-  
4 ment which is made by such institution to  
5 a foreign financial institution which has in  
6 effect an election under paragraph (3) with  
7 respect to such payment, so much of such  
8 payment as is allocable to accounts held by  
9 recalcitrant account holders or foreign fi-  
10 nancial institutions which do not meet the  
11 requirements of this subsection,

12 “(E) to comply with requests by the Sec-  
13 retary for additional information with respect to  
14 any United States account maintained by such  
15 institution, and

16 “(F) in any case in which any foreign law  
17 would (but for a waiver described in clause (i))  
18 prevent the reporting of any information re-  
19 ferred to in this subsection or subsection (c)  
20 with respect to any United States account  
21 maintained by such institution—

22 “(i) to attempt to obtain a valid and  
23 effective waiver of such law from each  
24 holder of such account, and

1                   “(ii) if a waiver described in clause (i)  
2                   is not obtained from each such holder  
3                   within a reasonable period of time, to close  
4                   such account.

5           Any agreement entered into under this subsection  
6           may be terminated by the Secretary upon a deter-  
7           mination by the Secretary that the foreign financial  
8           institution is out of compliance with such agreement.

9                   “(2) FINANCIAL INSTITUTIONS DEEMED TO  
10           MEET REQUIREMENTS IN CERTAIN CASES.—A for-  
11           eign financial institution may be treated by the Sec-  
12           retary as meeting the requirements of this sub-  
13           section if—

14                   “(A) such institution—

15                   “(i) complies with such procedures as  
16                   the Secretary may prescribe to ensure that  
17                   such institution does not maintain United  
18                   States accounts, and

19                   “(ii) meets such other requirements as  
20                   the Secretary may prescribe with respect  
21                   to accounts of other foreign financial insti-  
22                   tutions maintained by such institution, or

23                   “(B) such institution is a member of a  
24                   class of institutions with respect to which the  
25                   Secretary has determined that the application



1 of this section is not necessary to carry out the  
2 purposes of this section.

3 “(3) ELECTION TO BE WITHHELD UPON RATH-  
4 ER THAN WITHHOLD ON PAYMENTS TO RECAL-  
5 CITRANT ACCOUNT HOLDERS AND NONPARTICI-  
6 PATING FOREIGN FINANCIAL INSTITUTIONS.—In the  
7 case of a foreign financial institution which meets  
8 the requirements of this subsection and such other  
9 requirements as the Secretary may provide and  
10 which elects the application of this paragraph—

11 “(A) the requirements of paragraph (1)(D)  
12 shall not apply,

13 “(B) the withholding tax imposed under  
14 subsection (a) shall apply with respect to any  
15 withholdable payment to such institution to the  
16 extent such payment is allocable to accounts  
17 held by recalcitrant account holders or foreign  
18 financial institutions which do not meet the re-  
19 quirements of this subsection, and

20 “(C) the agreement described in paragraph  
21 (1) shall—

22 “(i) require such institution to notify  
23 the withholding agent with respect to each  
24 such payment of the institution’s election  
25 under this paragraph and such other infor-

1                   mation as may be necessary for the with-  
2                   holding agent to determine the appropriate  
3                   amount to deduct and withhold from such  
4                   payment, and

5                   “(ii) include a waiver of any right  
6                   under any treaty of the United States with  
7                   respect to any amount deducted and with-  
8                   held pursuant to an election under this  
9                   paragraph.

10                  To the extent provided by the Secretary, the election  
11                  under this paragraph may be made with respect to  
12                  certain classes or types of accounts of the foreign fi-  
13                  nancial institution.

14                  “(c) INFORMATION REQUIRED TO BE REPORTED ON  
15                  UNITED STATES ACCOUNTS.—

16                  “(1) IN GENERAL.—The agreement described in  
17                  subsection (b) shall require the foreign financial in-  
18                  stitution to report the following with respect to each  
19                  United States account maintained by such institu-  
20                  tion:

21                  “(A) The name, address, and TIN of each  
22                  account holder which is a specified United  
23                  States person and, in the case of any account  
24                  holder which is a United States owned foreign

1           entity, the name, address, and TIN of each sub-  
2           stantial United States owner of such entity.

3                   “(B) The account number.

4                   “(C) The account balance or value (deter-  
5           mined at such time and in such manner as the  
6           Secretary may provide).

7                   “(D) Except to the extent provided by the  
8           Secretary, the gross receipts and gross with-  
9           drawals or payments from the account (deter-  
10          mined for such period and in such manner as  
11          the Secretary may provide).

12                   “(2) ELECTION TO BE SUBJECT TO SAME RE-  
13          PORTING AS UNITED STATES FINANCIAL INSTITU-  
14          TIONS.—In the case of a foreign financial institution  
15          which elects the application of this paragraph—

16                   “(A) subparagraphs (C) and (D) of para-  
17          graph (1) shall not apply, and

18                   “(B) the agreement described in subsection  
19          (b) shall require such foreign financial institu-  
20          tion to report such information with respect to  
21          each United States account maintained by such  
22          institution as such institution would be required  
23          to report under sections 6041, 6042, 6045, and  
24          6049 if—

1           “(i) such institution were a United  
2           States person, and

3           “(ii) each holder of such account  
4           which is a specified United States person  
5           or United States owned foreign entity were  
6           a natural person and citizen of the United  
7           States.

8           An election under this paragraph shall be made  
9           at such time, in such manner, and subject to  
10          such conditions as the Secretary may provide.

11          “(3) SEPARATE REQUIREMENTS FOR QUALI-  
12          FIED INTERMEDIARIES.—In the case of a foreign fi-  
13          nancial institution which is treated as a qualified  
14          intermediary by the Secretary for purposes of sec-  
15          tion 1441 and the regulations issued thereunder, the  
16          requirements of this section shall be in addition to  
17          any reporting or other requirements imposed by the  
18          Secretary for purposes of such treatment.

19          “(d) DEFINITIONS.—For purposes of this section—

20                 “(1) UNITED STATES ACCOUNT.—

21                         “(A) IN GENERAL.—The term ‘United  
22                         States account’ means any financial account  
23                         which is held by one or more specified United  
24                         States persons or United States owned foreign  
25                         entities.

1           “(B) EXCEPTION FOR CERTAIN ACCOUNTS  
2 HELD BY INDIVIDUALS.—Unless the foreign fi-  
3 nancial institution elects to not have this sub-  
4 paragraph apply, such term shall not include  
5 any depository account maintained by such fi-  
6 nancial institution if—

7                   “(i) each holder of such account is a  
8 natural person, and

9                   “(ii) with respect to each holder of  
10 such account, the aggregate value of all de-  
11 pository accounts held (in whole or in part)  
12 by such holder and maintained by the  
13 same financial institution which maintains  
14 such account does not exceed \$50,000.

15 To the extent provided by the Secretary, finan-  
16 cial institutions which are members of the same  
17 expanded affiliated group shall be treated for  
18 purposes of clause (ii) as a single financial in-  
19 stitution.

20           “(C) ELIMINATION OF DUPLICATIVE RE-  
21 PORTING REQUIREMENTS.—Such term shall not  
22 include any financial account in a foreign finan-  
23 cial institution if—

1                   “(i) such account is held by another  
2                   financial institution which meets the re-  
3                   quirements of subsection (b), or

4                   “(ii) the holder of such account is oth-  
5                   erwise subject to information reporting re-  
6                   quirements which the Secretary determines  
7                   would make the reporting required by this  
8                   section with respect to United States ac-  
9                   counts duplicative.

10                   “(2) FINANCIAL ACCOUNT.—Except as other-  
11                   wise provided by the Secretary, the term ‘financial  
12                   account’ means, with respect to any financial institu-  
13                   tion—

14                   “(A) any depository account maintained by  
15                   such financial institution,

16                   “(B) any custodial account maintained by  
17                   such financial institution, and

18                   “(C) any equity or debt interest in such fi-  
19                   nancial institution (other than interests which  
20                   are regularly traded on an established securities  
21                   market).

22                   Any equity or debt interest which constitutes a fi-  
23                   nancial account under subparagraph (C) with re-  
24                   spect to any financial institution shall be treated for

1 purposes of this section as maintained by such fi-  
2 nancial institution.

3 “(3) UNITED STATES OWNED FOREIGN ENTI-  
4 TY.—The term ‘United States owned foreign entity’  
5 means any foreign entity which has one or more sub-  
6 stantial United States owners.

7 “(4) FOREIGN FINANCIAL INSTITUTION.—The  
8 term ‘foreign financial institution’ means any finan-  
9 cial institution which is a foreign entity. Except as  
10 otherwise provided by the Secretary, such term shall  
11 not include a financial institution which is organized  
12 under the laws of any possession of the United  
13 States.

14 “(5) FINANCIAL INSTITUTION.—Except as oth-  
15 erwise provided by the Secretary, the term ‘financial  
16 institution’ means any entity that—

17 “(A) accepts deposits in the ordinary  
18 course of a banking or similar business,

19 “(B) as a substantial portion of its busi-  
20 ness, holds financial assets for the account of  
21 others, or

22 “(C) is engaged (or holding itself out as  
23 being engaged) primarily in the business of in-  
24 vesting, reinvesting, or trading in securities (as  
25 defined in section 475(c)(2) without regard to

1 the last sentence thereof), partnership interests,  
2 commodities (as defined in section 475(e)(2)),  
3 or any interest (including a futures or forward  
4 contract or option) in such securities, partner-  
5 ship interests, or commodities.

6 “(6) RECALCITRANT ACCOUNT HOLDER.—The  
7 term ‘recalcitrant account holder’ means any ac-  
8 count holder which—

9 “(A) fails to comply with reasonable re-  
10 quests for the information referred to in sub-  
11 section (b)(1)(A) or (c)(1)(A), or

12 “(B) fails to provide a waiver described in  
13 subsection (b)(1)(F) upon request.

14 “(7) PASSTHRU PAYMENT.—The term ‘passthru  
15 payment’ means any withholdable payment or other  
16 payment to the extent attributable to a withholdable  
17 payment.

18 “(e) AFFILIATED GROUPS.—

19 “(1) IN GENERAL.—The requirements of sub-  
20 sections (b) and (c)(1) shall apply—

21 “(A) with respect to United States ac-  
22 counts maintained by the foreign financial insti-  
23 tution, and

24 “(B) except as otherwise provided by the  
25 Secretary, with respect to United States ac-



1 counts maintained by each other foreign finan-  
2 cial institution (other than any foreign financial  
3 institution which meets the requirements of  
4 subsection (b)) which is a member of the same  
5 expanded affiliated group as such foreign finan-  
6 cial institution.

7 “(2) EXPANDED AFFILIATED GROUP.—For pur-  
8 poses of this section, the term ‘expanded affiliated  
9 group’ means an affiliated group as defined in sec-  
10 tion 1504(a), determined—

11 “(A) by substituting ‘more than 50 per-  
12 cent’ for ‘at least 80 percent’ each place it ap-  
13 pears, and

14 “(B) without regard to paragraphs (2) and  
15 (3) of section 1504(b).

16 A partnership or any other entity (other than a cor-  
17 poration) shall be treated as a member of an ex-  
18 panded affiliated group if such entity is controlled  
19 (within the meaning of section 954(d)(3)) by mem-  
20 bers of such group (including any entity treated as  
21 a member of such group by reason of this sentence).

22 “(f) EXCEPTION FOR CERTAIN PAYMENTS.—Sub-  
23 section (a) shall not apply to any payment to the extent  
24 that the beneficial owner of such payment is—

1           “(1) any foreign government, any political sub-  
2           division of a foreign government, or any wholly  
3           owned agency or instrumentality of any one or more  
4           of the foregoing,

5           “(2) any international organization or any  
6           wholly owned agency or instrumentality thereof,

7           “(3) any foreign central bank of issue, or

8           “(4) any other class of persons identified by the  
9           Secretary for purposes of this subsection as posing  
10          a low risk of tax evasion.

11 **“SEC. 1472. WITHHOLDABLE PAYMENTS TO OTHER FOR-**  
12 **EIGN ENTITIES.**

13          “(a) IN GENERAL.—In the case of any withholdable  
14          payment to a non-financial foreign entity, if—

15               “(1) the beneficial owner of such payment is  
16               such entity or any other non-financial foreign entity,  
17               and

18               “(2) the requirements of subsection (b) are not  
19               met with respect to such beneficial owner,

20          then the withholding agent with respect to such payment  
21          shall deduct and withhold from such payment a tax equal  
22          to 30 percent of the amount of such payment.

23          “(b) REQUIREMENTS FOR WAIVER OF WITH-  
24          HOLDING.—The requirements of this subsection are met  
25          with respect to the beneficial owner of a payment if—

1           “(1) such beneficial owner or the payee provides  
2           the withholding agent with either—

3                   “(A) a certification that such beneficial  
4                   owner does not have any substantial United  
5                   States owners, or

6                   “(B) the name, address, and TIN of each  
7                   substantial United States owner of such bene-  
8                   ficial owner,

9           “(2) the withholding agent does not know, or  
10           have reason to know, that any information provided  
11           under paragraph (1) is incorrect, and

12                   “(3) the withholding agent reports the informa-  
13                   tion provided under paragraph (1)(B) to the Sec-  
14                   retary in such manner as the Secretary may provide.

15           “(c) EXCEPTIONS.—Subsection (a) shall not apply  
16           to—

17                   “(1) except as otherwise provided by the Sec-  
18                   retary, any payment beneficially owned by—

19                           “(A) any corporation the stock of which is  
20                           regularly traded on an established securities  
21                           market,

22                           “(B) any corporation which is a member of  
23                           the same expanded affiliated group (as defined  
24                           in section 1471(e)(2) without regard to the last

1 sentence thereof) as a corporation described in  
2 subparagraph (A),

3 “(C) any entity which is organized under  
4 the laws of a possession of the United States  
5 and which is wholly owned by one or more bona  
6 fide residents (as defined in section 937(a)) of  
7 such possession,

8 “(D) any foreign government, any political  
9 subdivision of a foreign government, or any  
10 wholly owned agency or instrumentality of any  
11 one or more of the foregoing,

12 “(E) any international organization or any  
13 wholly owned agency or instrumentality thereof,

14 “(F) any foreign central bank of issue, or

15 “(G) any other class of persons identified  
16 by the Secretary for purposes of this subsection,  
17 and

18 “(2) any class of payments identified by the  
19 Secretary for purposes of this subsection as posing  
20 a low risk of tax evasion.

21 “(d) NON-FINANCIAL FOREIGN ENTITY.—For pur-  
22 poses of this section, the term ‘non-financial foreign enti-  
23 ty’ means any foreign entity which is not a financial insti-  
24 tution (as defined in section 1471(d)(5)).

1 **“SEC. 1473. DEFINITIONS.**

2 “For purposes of this chapter—

3 “(1) WITHHOLDABLE PAYMENT.—Except as  
4 otherwise provided by the Secretary—

5 “(A) IN GENERAL.—The term  
6 ‘withholdable payment’ means—

7 “(i) any payment of interest (includ-  
8 ing any original issue discount), dividends,  
9 rents, salaries, wages, premiums, annuities,  
10 compensations, remunerations, emolu-  
11 ments, and other fixed or determinable an-  
12 nual or periodical gains, profits, and in-  
13 come, if such payment is from sources  
14 within the United States, and

15 “(ii) any gross proceeds from the sale  
16 or other disposition of any property of a  
17 type which can produce interest or divi-  
18 dends from sources within the United  
19 States.

20 “(B) EXCEPTION FOR INCOME CONNECTED  
21 WITH UNITED STATES BUSINESS.—Such term  
22 shall not include any item of income which is  
23 taken into account under section 871(b)(1) or  
24 882(a)(1) for the taxable year.

25 “(C) SPECIAL RULE FOR SOURCING INTER-  
26 EST PAID BY FOREIGN BRANCHES OF DOMESTIC

1 FINANCIAL INSTITUTIONS.—Subparagraph (B)  
2 of section 861(a)(1) shall not apply.

3 “(2) SUBSTANTIAL UNITED STATES OWNER.—

4 “(A) IN GENERAL.—The term ‘substantial  
5 United States owner’ means—

6 “(i) with respect to any corporation,  
7 any specified United States person which  
8 owns, directly or indirectly, more than 10  
9 percent of the stock of such corporation  
10 (by vote or value),

11 “(ii) with respect to any partnership,  
12 any specified United States person which  
13 owns, directly or indirectly, more than 10  
14 percent of the profits interests or capital  
15 interests in such partnership, and

16 “(iii) in the case of a trust—

17 “(I) any specified United States  
18 person treated as an owner of any  
19 portion of such trust under subpart E  
20 of part I of subchapter J of chapter  
21 1, and

22 “(II) to the extent provided by  
23 the Secretary in regulations or other  
24 guidance, any specified United States  
25 person which holds, directly or indi-

1                   rectly, more than 10 percent of the  
2                   beneficial interests of such trust.

3                   “(B) SPECIAL RULE FOR INVESTMENT VE-  
4                   HICLES.—In the case of any financial institu-  
5                   tion described in section 1471(d)(5)(C), clauses  
6                   (i), (ii), and (iii) of subparagraph (A) shall be  
7                   applied by substituting ‘0 percent’ for ‘10 per-  
8                   cent’.

9                   “(3) SPECIFIED UNITED STATES PERSON.—Ex-  
10                  cept as otherwise provided by the Secretary, the  
11                  term ‘specified United States person’ means any  
12                  United States person other than—

13                  “(A) any corporation the stock of which is  
14                  regularly traded on an established securities  
15                  market,

16                  “(B) any corporation which is a member of  
17                  the same expanded affiliated group (as defined  
18                  in section 1471(e)(2) without regard to the last  
19                  sentence thereof) as a corporation the stock of  
20                  which is regularly traded on an established se-  
21                  curities market,

22                  “(C) any organization exempt from tax-  
23                  ation under section 501(a) or an individual re-  
24                  tirement plan,

1           “(D) the United States or any wholly  
2 owned agency or instrumentality thereof,

3           “(E) any State, the District of Columbia,  
4 any possession of the United States, any polit-  
5 ical subdivision of any of the foregoing, or any  
6 wholly owned agency or instrumentality of any  
7 one or more of the foregoing,

8           “(F) any bank (as defined in section 581),

9           “(G) any real estate investment trust (as  
10 defined in section 856),

11           “(H) any regulated investment company  
12 (as defined in section 851),

13           “(I) any common trust fund (as defined in  
14 section 584(a)), and

15           “(J) any trust which—

16               “(i) is exempt from tax under section  
17 664(e), or

18               “(ii) is described in section  
19 4947(a)(1).

20           “(4) WITHHOLDING AGENT.—The term ‘with-  
21 holding agent’ means all persons, in whatever capac-  
22 ity acting, having the control, receipt, custody, dis-  
23 posal, or payment of any withholdable payment.



1           “(5) FOREIGN ENTITY.—The term ‘foreign en-  
2           tity’ means any entity which is not a United States  
3           person.

4   **“SEC. 1474. SPECIAL RULES.**

5           “(a) LIABILITY FOR WITHHELD TAX.—Every person  
6           required to deduct and withhold any tax under this chap-  
7           ter is hereby made liable for such tax and is hereby indem-  
8           nified against the claims and demands of any person for  
9           the amount of any payments made in accordance with the  
10          provisions of this chapter.

11          “(b) CREDITS AND REFUNDS.—

12           “(1) IN GENERAL.—Except as provided in para-  
13          graph (2), the determination of whether any tax de-  
14          ducted and withheld under this chapter results in an  
15          overpayment by the beneficial owner of the payment  
16          to which such tax is attributable shall be made as  
17          if such tax had been deducted and withheld under  
18          subchapter A of chapter 3.

19           “(2) SPECIAL RULE WHERE FOREIGN FINAN-  
20          CIAL INSTITUTION IS BENEFICIAL OWNER OF PAY-  
21          MENT.—

22           “(A) IN GENERAL.—In the case of any tax  
23          properly deducted and withheld under section  
24          1471 from a specified financial institution pay-  
25          ment—

1                   “(i) if the foreign financial institution  
2                   referred to in subparagraph (B) with re-  
3                   spect to such payment is entitled to a re-  
4                   duced rate of tax with respect to such pay-  
5                   ment by reason of any treaty obligation of  
6                   the United States—

7                   “(I) the amount of any credit or  
8                   refund with respect to such tax shall  
9                   not exceed the amount of credit or re-  
10                  fund attributable to such reduction in  
11                  rate, and

12                  “(II) no interest shall be allowed  
13                  or paid with respect to such credit or  
14                  refund, and

15                  “(ii) if such foreign financial institu-  
16                  tion is not so entitled, no credit or refund  
17                  shall be allowed or paid with respect to  
18                  such tax.

19                  “(B) SPECIFIED FINANCIAL INSTITUTION  
20                  PAYMENT.—The term ‘specified financial insti-  
21                  tution payment’ means any payment if the ben-  
22                  eficial owner of such payment is a foreign fi-  
23                  nancial institution.

24                  “(3) REQUIREMENT TO IDENTIFY SUBSTANTIAL  
25                  UNITED STATES OWNERS.—No credit or refund shall

1 be allowed or paid with respect to any tax properly  
2 deducted and withheld under this chapter unless the  
3 beneficial owner of the payment provides the Sec-  
4 retary such information as the Secretary may re-  
5 quire to determine whether such beneficial owner is  
6 a United States owned foreign entity (as defined in  
7 section 1471(d)(3)) and the identity of any substan-  
8 tial United States owners of such entity.

9 “(c) CONFIDENTIALITY OF INFORMATION.—

10 “(1) IN GENERAL.—For purposes of this chap-  
11 ter, rules similar to the rules of section 3406(f) shall  
12 apply.

13 “(2) DISCLOSURE OF LIST OF PARTICIPATING  
14 FOREIGN FINANCIAL INSTITUTIONS PERMITTED.—  
15 The identity of a foreign financial institution which  
16 meets the requirements of section 1471(b) shall not  
17 be treated as return information for purposes of sec-  
18 tion 6103.

19 “(d) COORDINATION WITH OTHER WITHHOLDING  
20 PROVISIONS.—The Secretary shall provide for the coordi-  
21 nation of this chapter with other withholding provisions  
22 under this title, including providing for the proper cred-  
23 iting of amounts deducted and withheld under this chapter  
24 against amounts required to be deducted and withheld  
25 under such other provisions.

1           “(e) TREATMENT OF WITHHOLDING UNDER AGREE-  
2 MENTS.—Any tax deducted and withheld pursuant to an  
3 agreement described in section 1471(b) shall be treated  
4 for purposes of this title as a tax deducted and withheld  
5 by a withholding agent under section 1471(a).

6           “(f) REGULATIONS.—The Secretary shall prescribe  
7 such regulations or other guidance as may be necessary  
8 or appropriate to carry out the purposes of, and prevent  
9 the avoidance of, this chapter.”.

10          (b) SPECIAL RULE FOR INTEREST ON OVERPAY-  
11 MENTS.—Subsection (e) of section 6611 is amended by  
12 adding at the end the following new paragraph:

13                 “(4) CERTAIN WITHHOLDING TAXES.—In the  
14 case of any overpayment resulting from tax deducted  
15 and withheld under chapter 3 or 4, paragraphs (1),  
16 (2), and (3) shall be applied by substituting ‘180  
17 days’ for ‘45 days’ each place it appears.”.

18          (c) CONFORMING AMENDMENTS.—

19                 (1) Section 6414 is amended by inserting “or  
20 4” after “chapter 3”.

21                 (2) Paragraph (1) of section 6501(b) is amend-  
22 ed by inserting “4,” after “chapter 3,”.

23                 (3) Paragraph (2) of section 6501(b) is amend-  
24 ed—

1 (A) by inserting “4,” after “chapter 3,” in  
2 the text thereof, and

3 (B) by striking “TAXES AND TAX IMPOSED  
4 BY CHAPTER 3” in the heading thereof and in-  
5 serting “AND WITHHOLDING TAXES”.

6 (4) Paragraph (3) of section 6513(b) is amend-  
7 ed—

8 (A) by inserting “or 4” after “chapter 3”,  
9 and

10 (B) by inserting “or 1474(b)” after “sec-  
11 tion 1462”.

12 (5) Subsection (c) of section 6513 is amended  
13 by inserting “4,” after “chapter 3,”.

14 (6) Paragraph (1) of section 6724(d) is amend-  
15 ed by inserting “under chapter 4 or” after “filed  
16 with the Secretary” in the last sentence thereof.

17 (7) Paragraph (2) of section 6724(d) is amend-  
18 ed by inserting “or 4” after “chapter 3”.

19 (8) The table of chapters of the Internal Rev-  
20 enue Code of 1986 is amended by adding at the end  
21 the following new item:

“CHAPTER 4. TAXES TO ENFORCE REPORTING ON CERTAIN FOREIGN  
ACCOUNTS.”.

22 (d) EFFECTIVE DATE.—

23 (1) IN GENERAL.—Except as otherwise pro-  
24 vided in this subsection, the amendments made by

1       this section shall apply to payments made after De-  
2       cember 31, 2012.

3               (2) GRANDFATHERED TREATMENT OF OUT-  
4       STANDING OBLIGATIONS.—The amendments made  
5       by this section shall not require any amount to be  
6       deducted or withheld from any payment under any  
7       obligation outstanding on the date which is 2 years  
8       after the date of the enactment of this Act or from  
9       the gross proceeds from any disposition of such an  
10      obligation.

11              (3) INTEREST ON OVERPAYMENTS.—The  
12      amendment made by subsection (b) shall apply—

13                      (A) in the case of such amendment's appli-  
14                      cation to paragraph (1) of section 6611(e) of  
15                      the Internal Revenue Code of 1986, to returns  
16                      the due date for which (determined without re-  
17                      gard to extensions) is after the date of the en-  
18                      actment of this Act,

19                      (B) in the case of such amendment's appli-  
20                      cation to paragraph (2) of such section, to  
21                      claims for credit or refund of any overpayment  
22                      filed after the date of the enactment of this Act  
23                      (regardless of the taxable period to which such  
24                      refund relates), and

1 (C) in the case of such amendment's appli-  
2 cation to paragraph (3) of such section, to re-  
3 funds paid after the date of the enactment of  
4 this Act (regardless of the taxable period to  
5 which such refund relates).

6 **SEC. 502. REPEAL OF CERTAIN FOREIGN EXCEPTIONS TO**  
7 **REGISTERED BOND REQUIREMENTS.**

8 (a) REPEAL OF EXCEPTION TO DENIAL OF DEDUC-  
9 TION FOR INTEREST ON NON-REGISTERED BONDS.—

10 (1) IN GENERAL.—Paragraph (2) of section  
11 163(f) is amended by striking subparagraph (B) and  
12 by redesignating subparagraph (C) as subparagraph  
13 (B).

14 (2) CONFORMING AMENDMENTS.—

15 (A) Paragraph (2) of section 149(a) is  
16 amended by inserting “or” at the end of sub-  
17 paragraph (A), by striking “, or” at the end of  
18 subparagraph (B) and inserting a period, and  
19 by striking subparagraph (C).

20 (B) Subparagraph (A) of section 163(f)(2)  
21 is amended by inserting “or” at the end of  
22 clause (ii), by striking “, or” at the end of  
23 clause (iii) and inserting a period, and by strik-  
24 ing clause (iv).

1 (C) Subparagraph (B) of section 163(f)(2),  
2 as redesignated by paragraph (1), is amended—

3 (i) by striking “, and subparagraph  
4 (B),” in the matter preceding clause (i),  
5 and

6 (ii) by amending clause (i) to read as  
7 follows:

8 “(i) such obligation is of a type which  
9 the Secretary has determined by regula-  
10 tions to be used frequently in avoiding  
11 Federal taxes, and”.

12 (D) Sections 165(j)(2)(A) and 1287(b)(1)  
13 are each amended by striking “except that  
14 clause (iv) of subparagraph (A), and subpara-  
15 graph (B), of such section shall not apply”.

16 (b) REPEAL OF TREATMENT AS PORTFOLIO DEBT.—

17 (1) IN GENERAL.—Paragraph (2) of section  
18 871(h) is amended to read as follows:

19 “(2) PORTFOLIO INTEREST.—For purposes of  
20 this subsection, the term ‘portfolio interest’ means  
21 any interest (including original issue discount)  
22 which—

23 “(A) would be subject to tax under sub-  
24 section (a) but for this subsection, and

25 “(B) is paid on an obligation—



1 “(i) which is in registered form, and

2 “(ii) with respect to which—

3 “(I) the United States person  
4 who would otherwise be required to  
5 deduct and withhold tax from such in-  
6 terest under section 1441(a) receives  
7 a statement (which meets the require-  
8 ments of paragraph (5)) that the ben-  
9 efiticial owner of the obligation is not a  
10 United States person, or

11 “(II) the Secretary has deter-  
12 mined that such a statement is not re-  
13 quired in order to carry out the pur-  
14 poses of this subsection.”.

15 (2) CONFORMING AMENDMENTS.—

16 (A) Section 871(h)(3)(A) is amended by  
17 striking “subparagraph (A) or (B) of”.

18 (B) Paragraph (2) of section 881(c) is  
19 amended to read as follows:

20 “(2) PORTFOLIO INTEREST.—For purposes of  
21 this subsection, the term ‘portfolio interest’ means  
22 any interest (including original issue discount)  
23 which—

24 “(A) would be subject to tax under sub-  
25 section (a) but for this subsection, and

1                   “(B) is paid on an obligation—  
2                    “(i) which is in registered form, and  
3                    “(ii) with respect to which—  
4                    “(I) the person who would other-  
5                    wise be required to deduct and with-  
6                    hold tax from such interest under sec-  
7                    tion 1442(a) receives a statement  
8                    which meets the requirements of sec-  
9                    tion 871(h)(5) that the beneficial  
10                   owner of the obligation is not a  
11                   United States person, or  
12                    “(II) the Secretary has deter-  
13                    mined that such a statement is not re-  
14                    quired in order to carry out the pur-  
15                    poses of this subsection.”.

16           (c) DEMATERIALIZED BOOK ENTRY SYSTEMS  
17 TREATED AS REGISTERED FORM.—Paragraph (3) of sec-  
18 tion 163(f) is amended by inserting “, except that a dema-  
19 terialized book entry system or other book entry system  
20 specified by the Secretary shall be treated as a book entry  
21 system described in such section” before the period at the  
22 end.

23           (d) REPEAL OF EXCEPTION TO REQUIREMENT THAT  
24 TREASURY OBLIGATIONS BE IN REGISTERED FORM.—



1           “(B) CERTAIN OBLIGATIONS NOT IN-  
2           CLUDED.—An obligation is described in this  
3           subparagraph if—

4                   “(i) there are arrangements reason-  
5                   ably designed to ensure that such obliga-  
6                   tion will be sold (or resold in connection  
7                   with the original issue) only to a person  
8                   who is not a United States person,

9                   “(ii) interest on such obligation is  
10                  payable only outside the United States and  
11                  its possessions, and

12                  “(iii) on the face of such obligation  
13                  there is a statement that any United  
14                  States person who holds such obligation  
15                  will be subject to limitations under the  
16                  United States income tax laws.”.

17           (f) EFFECTIVE DATE.—The amendments made by  
18           this section shall apply to obligations issued after the date  
19           which is 2 years after the date of the enactment of this  
20           Act.

1 **PART II—UNDER REPORTING WITH RESPECT TO**  
2 **FOREIGN ASSETS**

3 **SEC. 511. DISCLOSURE OF INFORMATION WITH RESPECT**  
4 **TO FOREIGN FINANCIAL ASSETS.**

5 (a) IN GENERAL.—Subpart A of part III of sub-  
6 chapter A of chapter 61 is amended by inserting after sec-  
7 tion 6038C the following new section:

8 **“SEC. 6038D. INFORMATION WITH RESPECT TO FOREIGN FI-**  
9 **NANCIAL ASSETS.**

10 “(a) IN GENERAL.—Any individual who, during any  
11 taxable year, holds any interest in a specified foreign fi-  
12 nancial asset shall attach to such person’s return of tax  
13 imposed by subtitle A for such taxable year the informa-  
14 tion described in subsection (c) with respect to each such  
15 asset if the aggregate value of all such assets exceeds  
16 \$50,000 (or such higher dollar amount as the Secretary  
17 may prescribe).

18 “(b) SPECIFIED FOREIGN FINANCIAL ASSETS.—For  
19 purposes of this section, the term ‘specified foreign finan-  
20 cial asset’ means—

21 “(1) any financial account (as defined in section  
22 1471(d)(2)) maintained by a foreign financial insti-  
23 tution (as defined in section 1471(d)(4)), and

24 “(2) any of the following assets which are not  
25 held in an account maintained by a financial institu-  
26 tion (as defined in section 1471(d)(5))—

1           “(A) any stock or security issued by a per-  
2           son other than a United States person,

3           “(B) any financial instrument or contract  
4           held for investment that has an issuer or  
5           counterparty which is other than a United  
6           States person, and

7           “(C) any interest in a foreign entity (as  
8           defined in section 1473).

9           “(c) REQUIRED INFORMATION.—The information de-  
10          scribed in this subsection with respect to any asset is:

11           “(1) In the case of any account, the name and  
12           address of the financial institution in which such ac-  
13           count is maintained and the number of such ac-  
14           count.

15           “(2) In the case of any stock or security, the  
16           name and address of the issuer and such informa-  
17           tion as is necessary to identify the class or issue of  
18           which such stock or security is a part.

19           “(3) In the case of any other instrument, con-  
20           tract, or interest—

21           “(A) such information as is necessary to  
22           identify such instrument, contract, or interest,  
23           and

1           “(B) the names and addresses of all  
2           issuers and counterparties with respect to such  
3           instrument, contract, or interest.

4           “(4) The maximum value of the asset during  
5           the taxable year.

6           “(d) PENALTY FOR FAILURE TO DISCLOSE.—

7           “(1) IN GENERAL.—If any individual fails to  
8           furnish the information described in subsection (c)  
9           with respect to any taxable year at the time and in  
10          the manner described in subsection (a), such person  
11          shall pay a penalty of \$10,000.

12          “(2) INCREASE IN PENALTY WHERE FAILURE  
13          CONTINUES AFTER NOTIFICATION.—If any failure  
14          described in paragraph (1) continues for more than  
15          90 days after the day on which the Secretary mails  
16          notice of such failure to the individual, such indi-  
17          vidual shall pay a penalty (in addition to the pen-  
18          alties under paragraph (1)) of \$10,000 for each 30-  
19          day period (or fraction thereof) during which such  
20          failure continues after the expiration of such 90-day  
21          period. The penalty imposed under this paragraph  
22          with respect to any failure shall not exceed \$50,000.

23          “(e) PRESUMPTION THAT VALUE OF SPECIFIED  
24          FOREIGN FINANCIAL ASSETS EXCEEDS DOLLAR  
25          THRESHOLD.—If—

1           “(1) the Secretary determines that an indi-  
2           vidual has an interest in one or more specified for-  
3           eign financial assets, and

4           “(2) such individual does not provide sufficient  
5           information to demonstrate the aggregate value of  
6           such assets,

7 then the aggregate value of such assets shall be treated  
8 as being in excess of \$50,000 (or such higher dollar  
9 amount as the Secretary prescribes for purposes of sub-  
10 section (a)) for purposes of assessing the penalties im-  
11 posed under this section.

12           “(f) APPLICATION TO CERTAIN ENTITIES.—To the  
13 extent provided by the Secretary in regulations or other  
14 guidance, the provisions of this section shall apply to any  
15 domestic entity which is formed or availed of for purposes  
16 of holding, directly or indirectly, specified foreign financial  
17 assets, in the same manner as if such entity were an indi-  
18 vidual.

19           “(g) REASONABLE CAUSE EXCEPTION.—No penalty  
20 shall be imposed by this section on any failure which is  
21 shown to be due to reasonable cause and not due to willful  
22 neglect. The fact that a foreign jurisdiction would impose  
23 a civil or criminal penalty on the taxpayer (or any other  
24 person) for disclosing the required information is not rea-  
25 sonable cause.



1       “(h) REGULATIONS.—The Secretary shall prescribe  
2 such regulations or other guidance as may be necessary  
3 or appropriate to carry out the purposes of this section,  
4 including regulations or other guidance which provide ap-  
5 propriate exceptions from the application of this section  
6 in the case of—

7               “(1) classes of assets identified by the Sec-  
8 retary, including any assets with respect to which  
9 the Secretary determines that disclosure under this  
10 section would be duplicative of other disclosures,

11               “(2) nonresident aliens, and

12               “(3) bona fide residents of any possession of  
13 the United States.”.

14       (b) CLERICAL AMENDMENT.—The table of sections  
15 for subpart A of part III of subchapter A of chapter 61  
16 is amended by inserting after the item relating to section  
17 6038C the following new item:

“Sec. 6038D. Information with respect to foreign financial assets.”.

18       (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 the date of the enactment of this Act.

21 **SEC. 512. PENALTIES FOR UNDERPAYMENTS ATTRIB-**  
22 **UTABLE TO UNDISCLOSED FOREIGN FINAN-**  
23 **CIAL ASSETS.**

24       (a) IN GENERAL.—Section 6662, as amended by this  
25 Act, is amended—

1           (1) in subsection (b), by inserting after para-  
2 graph (6) the following new paragraph:

3           “(7) Any undisclosed foreign financial asset un-  
4 derstatement.”, and

5           (2) by adding at the end the following new sub-  
6 section:

7           “(j) UNDISCLOSED FOREIGN FINANCIAL ASSET UN-  
8 DERSTATEMENT.—

9           “(1) IN GENERAL.—For purposes of this sec-  
10 tion, the term ‘undisclosed foreign financial asset  
11 understatement’ means, for any taxable year, the  
12 portion of the understatement for such taxable year  
13 which is attributable to any transaction involving an  
14 undisclosed foreign financial asset.

15           “(2) UNDISCLOSED FOREIGN FINANCIAL  
16 ASSET.—For purposes of this subsection, the term  
17 ‘undisclosed foreign financial asset’ means, with re-  
18 spect to any taxable year, any asset with respect to  
19 which information was required to be provided under  
20 section 6038, 6038B, 6038D, 6046A, or 6048 for  
21 such taxable year but was not provided by the tax-  
22 payer as required under the provisions of those sec-  
23 tions.

24           “(3) INCREASE IN PENALTY FOR UNDISCLOSED  
25 FOREIGN FINANCIAL ASSET UNDERSTATEMENTS.—

1 In the case of any portion of an underpayment  
2 which is attributable to any undisclosed foreign fi-  
3 nancial asset understatement, subsection (a) shall be  
4 applied with respect to such portion by substituting  
5 ‘40 percent’ for ‘20 percent’.”

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

9 **SEC. 513. MODIFICATION OF STATUTE OF LIMITATIONS**  
10 **FOR SIGNIFICANT OMISSION OF INCOME IN**  
11 **CONNECTION WITH FOREIGN ASSETS.**

12 (a) EXTENSION OF STATUTE OF LIMITATIONS.—

13 (1) IN GENERAL.—Paragraph (1) of section  
14 6501(e) is amended by redesignating subparagraphs  
15 (A) and (B) as subparagraphs (B) and (C), respec-  
16 tively, and by inserting before subparagraph (B) (as  
17 so redesignated) the following new subparagraph:

18 “(A) GENERAL RULE.—If the taxpayer  
19 omits from gross income an amount properly  
20 includible therein and—

21 “(i) such amount is in excess of 25  
22 percent of the amount of gross income  
23 stated in the return, or

24 “(ii) such amount—

1                   “(I) is attributable to one or  
2                   more assets with respect to which in-  
3                   formation is required to be reported  
4                   under section 6038D (or would be so  
5                   required if such section were applied  
6                   without regard to the dollar threshold  
7                   specified in subsection (a) thereof and  
8                   without regard to any exceptions pro-  
9                   vided pursuant to subsection (h)(1)  
10                  thereof), and

11                   “(II) is in excess of \$5,000,  
12                  the tax may be assessed, or a proceeding in  
13                  court for collection of such tax may be begun  
14                  without assessment, at any time within 6 years  
15                  after the return was filed.”.

16                  (2) CONFORMING AMENDMENTS.—

17                  (A) Subparagraph (B) of section  
18                  6501(e)(1), as redesignated by paragraph (1),  
19                  is amended by striking all that precedes clause  
20                  (i) and inserting the following:

21                   “(B) DETERMINATION OF GROSS IN-  
22                   COME.—For purposes of subparagraph (A)—”.

23                  (B) Paragraph (2) of section 6229(e) is  
24                  amended by striking “which is in excess of 25  
25                  percent of the amount of gross income stated in

1           its return” and inserting “and such amount is  
2           described in clause (i) or (ii) of section  
3           6501(e)(1)(A)”.

4           (b) **ADDITIONAL REPORTS SUBJECT TO EXTENDED**  
5 **PERIOD.**—Paragraph (8) of section 6501(c) is amended—

6           (1) by inserting “pursuant to an election under  
7           section 1295(b) or” before “under section 6038”,

8           (2) by inserting “1298(f),” before “6038”, and

9           (3) by inserting “6038D,” after “6038B,”.

10          (c) **CLARIFICATIONS RELATED TO FAILURE TO DIS-**  
11 **CLOSE FOREIGN TRANSFERS.**—Paragraph (8) of section  
12 6501(c) is amended by striking “event” and inserting “tax  
13 return, event,”.

14          (d) **EFFECTIVE DATE.**—The amendments made by  
15 this section shall apply to—

16           (1) returns filed after the date of the enactment  
17           of this Act; and

18           (2) returns filed on or before such date if the  
19           period specified in section 6501 of the Internal Rev-  
20           enue Code of 1986 (determined without regard to  
21           such amendments) for assessment of such taxes has  
22           not expired as of such date.

1       **PART III—OTHER DISCLOSURE PROVISIONS**

2       **SEC. 521. REPORTING OF ACTIVITIES WITH RESPECT TO**  
3                       **PASSIVE FOREIGN INVESTMENT COMPANIES.**

4           (a) IN GENERAL.—Section 1298 is amended by re-  
5 designating subsection (f) as subsection (g) and by insert-  
6 ing after subsection (e) the following new subsection:

7           “(f) REPORTING REQUIREMENT.—Except as other-  
8 wise provided by the Secretary, each United States person  
9 who is a shareholder of a passive foreign investment com-  
10 pany shall file an annual report containing such informa-  
11 tion as the Secretary may require.”.

12          (b) CONFORMING AMENDMENT.—Subsection (e) of  
13 section 1291 is amended by striking “, (d), and (f)” and  
14 inserting “and (d)”.

15          (c) EFFECTIVE DATE.—The amendments made by  
16 this section take effect on the date of the enactment of  
17 this Act.

18       **SEC. 522. SECRETARY PERMITTED TO REQUIRE FINANCIAL**  
19                       **INSTITUTIONS TO FILE CERTAIN RETURNS**  
20                       **RELATED TO WITHHOLDING ON FOREIGN**  
21                       **TRANSFERS ELECTRONICALLY.**

22          (a) IN GENERAL.—Subsection (e) of section 6011 is  
23 amended by adding at the end the following new para-  
24 graph:

25           “(4) SPECIAL RULE FOR RETURNS FILED BY  
26 FINANCIAL INSTITUTIONS WITH RESPECT TO WITH-

1 HOLDING ON FOREIGN TRANSFERS.—The numerical  
2 limitation under paragraph (2)(A) shall not apply to  
3 any return filed by a financial institution (as defined  
4 in section 1471(d)(5)) with respect to tax for which  
5 such institution is made liable under section 1461 or  
6 1474(a).”.

7 (b) CONFORMING AMENDMENT.—Subsection (c) of  
8 section 6724 is amended by inserting “or with respect to  
9 a return described in section 6011(e)(4)” before the end  
10 period.

11 (c) EFFECTIVE DATE.—The amendment made by  
12 this section shall apply to returns the due date for which  
13 (determined without regard to extensions) is after the date  
14 of the enactment of this Act.

## 15 **PART IV—PROVISIONS RELATED TO FOREIGN**

### 16 **TRUSTS**

#### 17 **SEC. 531. CLARIFICATIONS WITH RESPECT TO FOREIGN**

##### 18 **TRUSTS WHICH ARE TREATED AS HAVING A**

##### 19 **UNITED STATES BENEFICIARY.**

20 (a) IN GENERAL.—Paragraph (1) of section 679(c)  
21 is amended by adding at the end the following:

22 “For purposes of subparagraph (A), an amount  
23 shall be treated as accumulated for the benefit of a  
24 United States person even if the United States per-

1 son's interest in the trust is contingent on a future  
2 event.”.

3 (b) CLARIFICATION REGARDING DISCRETION TO  
4 IDENTIFY BENEFICIARIES.—Subsection (c) of section 679  
5 is amended by adding at the end the following new para-  
6 graph:

7 “(4) SPECIAL RULE IN CASE OF DISCRETION TO  
8 IDENTIFY BENEFICIARIES.—For purposes of para-  
9 graph (1)(A), if any person has the discretion (by  
10 authority given in the trust agreement, by power of  
11 appointment, or otherwise) of making a distribution  
12 from the trust to, or for the benefit of, any person,  
13 such trust shall be treated as having a beneficiary  
14 who is a United States person unless—

15 “(A) the terms of the trust specifically  
16 identify the class of persons to whom such dis-  
17 tributions may be made, and

18 “(B) none of those persons are United  
19 States persons during the taxable year.”.

20 (c) CLARIFICATION THAT CERTAIN AGREEMENTS  
21 AND UNDERSTANDINGS ARE TERMS OF THE TRUST.—  
22 Subsection (c) of section 679, as amended by subsection  
23 (b), is amended by adding at the end the following new  
24 paragraph:





1           “(1) submits such information to the Secretary  
2           as the Secretary may require with respect to such  
3           transfer, and

4           “(2) demonstrates to the satisfaction of the  
5           Secretary that such trust satisfies the requirements  
6           of subparagraphs (A) and (B) of subsection (c)(1).”.

7           (b) **EFFECTIVE DATE.**—The amendments made by  
8           this section shall apply to transfers of property after the  
9           date of the enactment of this Act.

10 **SEC. 533. UNCOMPENSATED USE OF TRUST PROPERTY.**

11           (a) **IN GENERAL.**—Paragraph (1) of section 643(i)  
12           is amended—

13                 (1) by striking “directly or indirectly to” and  
14                 inserting “(or permits the use of any other trust  
15                 property) directly or indirectly to or by”, and

16                 (2) by inserting “(or the fair market value of  
17                 the use of such property)” after “the amount of  
18                 such loan”.

19           (b) **EXCEPTION FOR COMPENSATED USE.**—Para-  
20           graph (2) of section 643(i) is amended by adding at the  
21           end the following new subparagraph:

22                         “(E) **EXCEPTION FOR COMPENSATED USE**  
23                         **OF PROPERTY.**—In the case of the use of any  
24                         trust property other than a loan of cash or  
25                         marketable securities, paragraph (1) shall not

1           apply to the extent that the trust is paid the  
2           fair market value of such use within a reason-  
3           able period of time of such use.”.

4           (c) APPLICATION TO GRANTOR TRUSTS.—Subsection  
5 (c) of section 679, as amended by this Act, is amended  
6 by adding at the end the following new paragraph:

7           “(6) UNCOMPENSATED USE OF TRUST PROP-  
8           ERTY TREATED AS A PAYMENT.—For purposes of  
9           this subsection, a loan of cash or marketable securi-  
10          ties (or the use of any other trust property) directly  
11          or indirectly to or by any United States person  
12          (whether or not a beneficiary under the terms of the  
13          trust) shall be treated as paid or accumulated for  
14          the benefit of a United States person. The preceding  
15          sentence shall not apply to the extent that the  
16          United States person repays the loan at a market  
17          rate of interest (or pays the fair market value of the  
18          use of such property) within a reasonable period of  
19          time.”.

20          (d) CONFORMING AMENDMENTS.—Paragraph (3) of  
21 section 643(i) is amended—

22           (1) by inserting “(or use of property)” after “If  
23          any loan”,

24           (2) by inserting “or the return of such prop-  
25          erty” before “shall be disregarded”, and



1 ure shall be reduced as necessary to assure that the  
2 aggregate amount of such penalties do not exceed  
3 the gross reportable amount (and to the extent that  
4 such aggregate amount already exceeds the gross re-  
5 portable amount the Secretary shall refund such ex-  
6 cess to the taxpayer).”

7 (b) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to notices and returns required to  
9 be filed after December 31, 2009.

10 **PART V—SUBSTITUTE DIVIDENDS AND DIVIDEND**  
11 **EQUIVALENT PAYMENTS RECEIVED BY FOR-**  
12 **EIGN PERSONS TREATED AS DIVIDENDS**

13 **SEC. 541. SUBSTITUTE DIVIDENDS AND DIVIDEND EQUIVA-**  
14 **LENT PAYMENTS RECEIVED BY FOREIGN**  
15 **PERSONS TREATED AS DIVIDENDS.**

16 (a) IN GENERAL.—Section 871 is amended by redес-  
17 ignating subsection (l) as subsection (m) and by inserting  
18 after subsection (k) the following new subsection:

19 “(l) TREATMENT OF DIVIDEND EQUIVALENT PAY-  
20 MENTS.—

21 “(1) IN GENERAL.—For purposes of subsection  
22 (a), sections 881 and 4948(a), and chapters 3 and  
23 4, a dividend equivalent shall be treated as a divi-  
24 dend from sources within the United States.

1           “(2) DIVIDEND EQUIVALENT.—For purposes of  
2 this subsection, the term ‘dividend equivalent’  
3 means—

4           “(A) any substitute dividend made pursu-  
5 ant to a securities lending or a sale-repurchase  
6 transaction that (directly or indirectly) is con-  
7 tingent upon, or determined by reference to, the  
8 payment of a dividend from sources within the  
9 United States,

10           “(B) any payment made pursuant to a  
11 specified notional principal contract that (di-  
12 rectly or indirectly) is contingent upon, or de-  
13 termined by reference to, the payment of a divi-  
14 dend from sources within the United States,  
15 and

16           “(C) any other payment determined by the  
17 Secretary to be substantially similar to a pay-  
18 ment described in subparagraph (A) or (B).

19           “(3) SPECIFIED NOTIONAL PRINCIPAL CON-  
20 TRACT.—For purposes of this subsection, the term  
21 ‘specified notional principal contract’ means—

22           “(A) any notional principal contract if—

23           “(i) in connection with entering into  
24 such contract, any long party to the con-

1           tract transfers the underlying security to  
2           any short party to the contract,

3           “(ii) in connection with the termi-  
4           nation of such contract, any short party to  
5           the contract transfers the underlying secu-  
6           rity to any long party to the contract,

7           “(iii) the underlying security is not  
8           readily tradable on an established securi-  
9           ties market,

10          “(iv) in connection with entering into  
11          such contract, the underlying security is  
12          posted as collateral by any short party to  
13          the contract with any long party to the  
14          contract, or

15          “(v) such contract is identified by the  
16          Secretary as a specified notional principal  
17          contract,

18          “(B) in the case of payments made after  
19          the date which is 2 years after the date of the  
20          enactment of this subsection, any notional prin-  
21          cipal contract unless the Secretary determines  
22          that such contract is of a type which does not  
23          have the potential for tax avoidance.

24          “(4) DEFINITIONS.—For purposes of paragraph  
25          (3)(A)—

1           “(A) LONG PARTY.—The term ‘long party’  
2 means, with respect to any underlying security  
3 of any notional principal contract, any party to  
4 the contract which is entitled to receive any  
5 payment pursuant to such contract which is  
6 contingent upon, or determined by reference to,  
7 the payment of a dividend from sources within  
8 the United States with respect to such under-  
9 lying security.

10           “(B) SHORT PARTY.—The term ‘short  
11 party’ means, with respect to any underlying se-  
12 curity of any notional principal contract, any  
13 party to the contract which is not a long party  
14 with respect to such underlying security.

15           “(C) UNDERLYING SECURITY.—The term  
16 ‘underlying security’ means, with respect to any  
17 notional principal contract, the security with re-  
18 spect to which the dividend referred to in para-  
19 graph (2)(B) is paid. For purposes of this para-  
20 graph, any index or fixed basket of securities  
21 shall be treated as a single security.

22           “(5) PAYMENTS DETERMINED ON GROSS  
23 BASIS.—For purposes of this subsection, the term  
24 ‘payment’ includes any gross amount which is used



1 in computing any net amount which is transferred to  
2 or from the taxpayer.

3 “(6) PREVENTION OF OVER-WITHHOLDING.—In  
4 the case of any chain of dividend equivalents one or  
5 more of which is subject to tax under subsection (a)  
6 or section 881, the Secretary may reduce such tax,  
7 but only to the extent that the taxpayer can estab-  
8 lish that such tax has been paid with respect to an-  
9 other dividend equivalent in such chain, or is not  
10 otherwise due, or as the Secretary determines is ap-  
11 propriate to address the role of financial inter-  
12 mediaries in such chain. For purposes of this para-  
13 graph, a dividend shall be treated as a dividend  
14 equivalent.

15 “(7) COORDINATION WITH CHAPTERS 3 AND  
16 4.—For purposes of chapters 3 and 4, each person  
17 that is a party to any contract or other arrangement  
18 that provides for the payment of a dividend equiva-  
19 lent shall be treated as having control of such pay-  
20 ment.”.

21 (b) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to payments made on or after the  
23 date that is 180 days after the date of the enactment of  
24 this Act.

1 **Subtitle B—Delay in Application of**  
2 **Worldwide Allocation of Interest**

3 **SEC. 551. DELAY IN APPLICATION OF WORLDWIDE ALLOCA-**  
4 **TION OF INTEREST.**

5 (a) IN GENERAL.—Paragraphs (5)(D) and (6) of sec-  
6 tion 864(f) are each amended by striking “December 31,  
7 2017” and inserting “December 31, 2019”.

8 (b) EFFECTIVE DATE.—The amendments made by  
9 this section shall take effect on the date of the enactment  
10 of this Act.