

110TH CONGRESS  
1ST SESSION

# H. R. 3997

To amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 30, 2007

Mr. RANGEL introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.

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

3       **SECTION 1. SHORT TITLE, ETC.**

4       (a) **SHORT TITLE.**—This Act may be cited as the  
5       “Heroes Earnings Assistance and Relief Tax Act of  
6       2007”.

7       (b) **REFERENCE.**—Except as otherwise expressly pro-  
8       vided, whenever in this Act an amendment or repeal is

1 expressed in terms of an amendment to, or repeal of, a  
 2 section or other provision, the reference shall be consid-  
 3 ered to be made to a section or other provision of the In-  
 4 ternal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents for  
 6 this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—BENEFITS FOR MILITARY AND VOLUNTEER  
 FIREFIGHTERS

Sec. 101. Election to include combat pay as earned income for purposes of earned income tax credit.

Sec. 102. Modification of mortgage revenue bonds for veterans.

Sec. 103. Survivor and disability payments with respect to qualified military service.

Sec. 104. Treatment of differential military pay as wages.

Sec. 105. Exclusion from income for benefits provided to volunteer firefighters and emergency medical responders.

Sec. 106. Special period of limitation when uniformed services retired pay is reduced as a result of award of disability compensation.

Sec. 107. Distributions from retirement plans to individuals called to active duty.

Sec. 108. Disclosure of return information relating to veterans programs made permanent.

Sec. 109. Contributions of military death gratuities to Roth IRAs and Education Savings Accounts.

Sec. 110. Suspension of 5-year period during service with the Peace Corps.

TITLE II—IMPROVEMENTS IN SUPPLEMENTAL SECURITY INCOME

Sec. 201. Treatment of uniformed service cash remuneration as earned income.

Sec. 202. State annuities for blind veterans to be disregarded in determining supplemental security income benefits.

Sec. 203. Exclusion of AmeriCorps benefits for purposes of determining supplemental security income eligibility and benefit amounts.

Sec. 204. Effective date.

1 **TITLE I—BENEFITS FOR MILI-**  
2 **TARY AND VOLUNTEER FIRE-**  
3 **FIGHTERS**

4 **SEC. 101. ELECTION TO INCLUDE COMBAT PAY AS EARNED**  
5 **INCOME FOR PURPOSES OF EARNED INCOME**  
6 **TAX CREDIT.**

7 (a) IN GENERAL.—Clause (vi) of section 32(c)(2)(B)  
8 (defining earned income) is amended to read as follows:

9 “(vi) a taxpayer may elect to treat  
10 amounts excluded from gross income by  
11 reason of section 112 as earned income.”.

12 (b) SUNSET NOT APPLICABLE.—Section 105 of the  
13 Working Families Tax Relief Act of 2004 (relating to ap-  
14 plication of EGTRRA sunset to this title) shall not apply  
15 to section 104(b) of such Act.

16 (c) EFFECTIVE DATE.—The amendment made by  
17 this section shall apply to taxable years ending after De-  
18 cember 31, 2007.

19 **SEC. 102. MODIFICATION OF MORTGAGE REVENUE BONDS**  
20 **FOR VETERANS.**

21 (a) QUALIFIED MORTGAGE BONDS USED TO FI-  
22 NANCE RESIDENCES FOR VETERANS WITHOUT REGARD  
23 TO FIRST-TIME HOMEBUYER REQUIREMENT.—Subpara-  
24 graph (D) of section 143(d)(2) (relating to exceptions) is  
25 amended by striking “and before January 1, 2008”.

1 (b) INCREASE IN BOND LIMITATION FOR ALASKA,  
2 OREGON, AND WISCONSIN.—Clause (ii) of section  
3 143(l)(3)(B) (relating to State veterans limit) is amended  
4 by striking “\$25,000,000” each place it appears and in-  
5 serting “\$100,000,000”.

6 (c) DEFINITION OF QUALIFIED VETERAN.—Para-  
7 graph (4) of section 143(l) (defining qualified veteran) is  
8 amended to read as follows:

9 “(4) QUALIFIED VETERAN.—For purposes of  
10 this subsection, the term ‘qualified veteran’ means  
11 any veteran who—

12 “(A) served on active duty, and

13 “(B) applied for the financing before the  
14 date 25 years after the last date on which such  
15 veteran left active service.”.

16 (d) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to bonds issued after December  
18 31, 2007.

19 **SEC. 103. SURVIVOR AND DISABILITY PAYMENTS WITH RE-**  
20 **SPECT TO QUALIFIED MILITARY SERVICE.**

21 (a) PLAN QUALIFICATION REQUIREMENT FOR  
22 DEATH BENEFITS UNDER USERRA-QUALIFIED ACTIVE  
23 MILITARY SERVICE.—Subsection (a) of section 401 (relat-  
24 ing to requirements for qualification) is amended by in-  
25 serting after paragraph (36) the following new paragraph:

1           “(37) DEATH BENEFITS UNDER USERRA-QUALI-  
2           FIED ACTIVE MILITARY SERVICE.—A trust shall not  
3           constitute a qualified trust unless the plan provides  
4           that, in the case of a participant who dies while per-  
5           forming qualified military service (as defined in sec-  
6           tion 414(u)), the survivors of the participant are en-  
7           titled to any additional benefits (other than benefit  
8           accruals relating to the period of qualified military  
9           service) provided under the plan had the participant  
10          resumed and then terminated employment on ac-  
11          count of death.”.

12          (b) TREATMENT IN THE CASE OF DEATH OR DIS-  
13          ABILITY RESULTING FROM ACTIVE MILITARY SERVICE  
14          FOR BENEFIT ACCRUAL PURPOSES.—Subsection (u) of  
15          section 414 (relating to special rules relating to veterans’  
16          reemployment rights under USERRA) is amended by re-  
17          designating paragraphs (9) and (10) as paragraphs (10)  
18          and (11), respectively, and by inserting after paragraph  
19          (8) the following new paragraph:

20                 “(9) TREATMENT IN THE CASE OF DEATH OR  
21                 DISABILITY RESULTING FROM ACTIVE MILITARY  
22                 SERVICE.—

23                         “(A) IN GENERAL.—For benefit accrual  
24                         purposes, an employer sponsoring a retirement  
25                         plan may treat an individual who dies or be-

1 comes disabled (as defined under the terms of  
2 the plan) while performing qualified military  
3 service with respect to the employer maintain-  
4 ing the plan as if the individual has resumed  
5 employment in accordance with the individual's  
6 reemployment rights under chapter 43 of title  
7 38, United States Code, on the day preceding  
8 death or disability (as the case may be) and ter-  
9 minated employment on the actual date of  
10 death or disability. In the case of any such  
11 treatment, and subject to subparagraphs (B)  
12 and (C), any full or partial compliance by such  
13 plan with respect to the benefit accrual require-  
14 ments of paragraph (8) with respect to such in-  
15 dividual shall be treated for purposes of para-  
16 graph (1) as if such compliance were required  
17 under such chapter 43.

18 “(B) NONDISCRIMINATION REQUIRE-  
19 MENT.—Subparagraph (A) shall apply only if  
20 all individuals performing qualified military  
21 service with respect to the employer maintain-  
22 ing the plan (as determined under subsections  
23 (b), (c), (m), and (o)) who die or became dis-  
24 abled as a result of performing qualified mili-  
25 tary service prior to reemployment by the em-

1           ployer are credited with service and benefits on  
2           reasonably equivalent terms.

3           “(C) DETERMINATION OF BENEFITS.—The  
4           amount of employee contributions and the  
5           amount of elective deferrals of an individual  
6           treated as reemployed under subparagraph (A)  
7           for purposes of applying paragraph (8)(C) shall  
8           be determined on the basis of the individual’s  
9           average actual employee contributions or elec-  
10          tive deferrals for the lesser of—

11                   “(i) the 12-month period of service  
12                   with the employer immediately prior to  
13                   qualified military service, or

14                   “(ii) if service with the employer is  
15                   less than such 12-month period, the actual  
16                   length of continuous service with the em-  
17                   ployer.”.

18          (c) CONFORMING AMENDMENTS.—

19           (1) Section 404(a)(2) is amended by striking  
20          “and (31)” and inserting “(31), and (37)”.

21           (2) Section 403(b) is amended by adding at the  
22          end the following new paragraph:

23                   “(14) DEATH BENEFITS UNDER USERRA-QUALI-  
24                   FIED ACTIVE MILITARY SERVICE.—This subsection  
25                   shall not apply to an annuity contract unless such

1 contract meets the requirements of section  
2 401(a)(37).”.

3 (3) Section 457(g) is amended by adding at the  
4 end the following new paragraph:

5 “(4) DEATH BENEFITS UNDER USERRA-QUALI-  
6 FIED ACTIVE MILITARY SERVICE.—A plan described  
7 in paragraph (1) shall not be treated as an eligible  
8 deferred compensation plan unless such plan meets  
9 the requirements of section 401(a)(37).”.

10 (d) EFFECTIVE DATE.—

11 (1) IN GENERAL.—The amendments made by  
12 this section shall apply with respect to deaths and  
13 disabilities occurring on or after January 1, 2007.

14 (2) PROVISIONS RELATING TO PLAN AMEND-  
15 MENTS.—

16 (A) IN GENERAL.—If this subparagraph  
17 applies to any plan or contract amendment,  
18 such plan or contract shall be treated as being  
19 operated in accordance with the terms of the  
20 plan during the period described in subpara-  
21 graph (B)(iii).

22 (B) AMENDMENTS TO WHICH SUBPARA-  
23 GRAPH (A) APPLIES.—

1 (i) IN GENERAL.—Subparagraph (A)  
2 shall apply to any amendment to any plan  
3 or annuity contract which is made—

4 (I) pursuant to the amendments  
5 made by subsection (a) or pursuant to  
6 any regulation issued by the Secretary  
7 of the Treasury under subsection (a),  
8 and

9 (II) on or before the last day of  
10 the first plan year beginning on or  
11 after January 1, 2009.

12 In the case of a governmental plan (as de-  
13 fined in section 414(d) of the Internal Rev-  
14 enue Code of 1986), this clause shall be  
15 applied by substituting “2011” for “2009”  
16 in subclause (II).

17 (ii) CONDITIONS.—This paragraph  
18 shall not apply to any amendment unless—

19 (I) the plan or contract is oper-  
20 ated as if such plan or contract  
21 amendment were in effect for the pe-  
22 riod described in clause (iii), and

23 (II) such plan or contract amend-  
24 ment applies retroactively for such pe-  
25 riod.

1 (iii) PERIOD DESCRIBED.—The period  
2 described in this clause is the period—  
3 (I) beginning on the effective  
4 date specified by the plan, and  
5 (II) ending on the date described  
6 in clause (i)(II) (or, if earlier, the  
7 date the plan or contract amendment  
8 is adopted).

9 **SEC. 104. TREATMENT OF DIFFERENTIAL MILITARY PAY AS**  
10 **WAGES.**

11 (a) INCOME TAX WITHHOLDING ON DIFFERENTIAL  
12 WAGE PAYMENTS.—

13 (1) IN GENERAL.—Section 3401 (relating to  
14 definitions) is amended by adding at the end the fol-  
15 lowing new subsection:

16 “(h) DIFFERENTIAL WAGE PAYMENTS TO ACTIVE  
17 DUTY MEMBERS OF THE UNIFORMED SERVICES.—

18 “(1) IN GENERAL.—For purposes of subsection  
19 (a), any differential wage payment shall be treated  
20 as a payment of wages by the employer to the em-  
21 ployee.

22 “(2) DIFFERENTIAL WAGE PAYMENT.—For  
23 purposes of paragraph (1), the term ‘differential  
24 wage payment’ means any payment which—

1           “(A) is made by an employer to an indi-  
2           vidual with respect to any period during which  
3           the individual is performing service in the uni-  
4           formed services (as defined in chapter 43 of  
5           title 38, United States Code) while on active  
6           duty for a period of more than 30 days, and

7           “(B) represents all or a portion of the  
8           wages the individual would have received from  
9           the employer if the individual were performing  
10          service for the employer.”.

11          (2) EFFECTIVE DATE.—The amendment made  
12          by this subsection shall apply to remuneration paid  
13          after December 31, 2007.

14          (b) TREATMENT OF DIFFERENTIAL WAGE PAY-  
15          MENTS FOR RETIREMENT PLAN PURPOSES.—

16                 (1) PENSION PLANS.—

17                         (A) IN GENERAL.—Section 414(u) (relat-  
18                         ing to special rules relating to veterans’ reem-  
19                         ployment rights under USERRA) is amended  
20                         by adding at the end the following new para-  
21                         graph:

22                         “(11) TREATMENT OF DIFFERENTIAL WAGE  
23                         PAYMENTS.—

24                                 “(A) IN GENERAL.—Except as provided in  
25                                 this paragraph, for purposes of applying this

1 title to a retirement plan to which this sub-  
2 section applies—

3 “(i) an individual receiving a differen-  
4 tial wage payment shall be treated as an  
5 employee of the employer making the pay-  
6 ment,

7 “(ii) the differential wage payment  
8 shall be treated as compensation, and

9 “(iii) the plan shall not be treated as  
10 failing to meet the requirements of any  
11 provision described in paragraph (1)(C) by  
12 reason of any contribution or benefit which  
13 is based on the differential wage payment.

14 “(B) SPECIAL RULE FOR DISTRIBU-  
15 TIONS.—

16 “(i) IN GENERAL.—Notwithstanding  
17 subparagraph (A)(i), for purposes of sec-  
18 tion 401(k)(2)(B)(i)(I), 403(b)(7)(A)(ii),  
19 403(b)(11)(A), or 457(d)(1)(A)(ii), an in-  
20 dividual shall be treated as having been  
21 severed from employment during any pe-  
22 riod the individual is performing service in  
23 the uniformed services described in section  
24 3401(h)(2)(A).

1           “(ii) LIMITATION.—If an individual  
2           elects to receive a distribution by reason of  
3           clause (i), the plan shall provide that the  
4           individual may not make an elective deferral or employee contribution during the 6-  
5           month period beginning on the date of the  
6           distribution.  
7

8           “(C) NONDISCRIMINATION REQUIRE-  
9           MENT.—Subparagraph (A)(iii) shall apply only  
10          if all employees of an employer (as determined  
11          under subsections (b), (c), (m), and (o)) performing service in the uniformed services described in section 3401(h)(2)(A) are entitled to receive differential wage payments on reasonably equivalent terms and, if eligible to participate in a retirement plan maintained by the employer, to make contributions based on the payments on reasonably equivalent terms. For purposes of applying this subparagraph, the provisions of paragraphs (3), (4), and (5) of section 410(b) shall apply.  
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22          “(D) DIFFERENTIAL WAGE PAYMENT.—  
23          For purposes of this paragraph, the term ‘differential wage payment’ has the meaning given  
24          such term by section 3401(h)(2).”  
25

1 (B) CONFORMING AMENDMENT.—The  
2 heading for section 414(u) is amended by in-  
3 serting “**AND TO DIFFERENTIAL WAGE PAY-**  
4 **MENTS TO MEMBERS ON ACTIVE DUTY**”  
5 after “**USERRA**”.

6 (2) DIFFERENTIAL WAGE PAYMENTS TREATED  
7 AS COMPENSATION FOR INDIVIDUAL RETIREMENT  
8 PLANS.—Section 219(f)(1) (defining compensation)  
9 is amended by adding at the end the following new  
10 sentence: “The term compensation includes any dif-  
11 ferential wage payment (as defined in section  
12 3401(h)(2)).”.

13 (3) EFFECTIVE DATE.—The amendments made  
14 by this subsection shall apply to years beginning  
15 after December 31, 2007.

16 (c) PROVISIONS RELATING TO PLAN AMEND-  
17 MENTS.—

18 (1) IN GENERAL.—If this subsection applies to  
19 any plan or annuity contract amendment, such plan  
20 or contract shall be treated as being operated in ac-  
21 cordance with the terms of the plan or contract dur-  
22 ing the period described in paragraph (2)(B)(i).

23 (2) AMENDMENTS TO WHICH SECTION AP-  
24 PLIES.—

1 (A) IN GENERAL.—This subsection shall  
2 apply to any amendment to any plan or annuity  
3 contract which is made—

4 (i) pursuant to any amendment made  
5 by subsection (b)(1), and

6 (ii) on or before the last day of the  
7 first plan year beginning on or after Janu-  
8 ary 1, 2009.

9 In the case of a governmental plan (as defined  
10 in section 414(d) of the Internal Revenue Code  
11 of 1986), this subparagraph shall be applied by  
12 substituting “2011” for “2009” in clause (ii).

13 (B) CONDITIONS.—This subsection shall  
14 not apply to any plan or annuity contract  
15 amendment unless—

16 (i) during the period beginning on the  
17 date the amendment described in subpara-  
18 graph (A)(i) takes effect and ending on the  
19 date described in subparagraph (A)(ii) (or,  
20 if earlier, the date the plan or contract  
21 amendment is adopted), the plan or con-  
22 tract is operated as if such plan or con-  
23 tract amendment were in effect, and

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

1 **SEC. 105. EXCLUSION FROM INCOME FOR BENEFITS PRO-**  
2 **VIDED TO VOLUNTEER FIREFIGHTERS AND**  
3 **EMERGENCY MEDICAL RESPONDERS.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-  
5 ter 1 (relating to items specifically excluded from gross  
6 income) is amended by inserting after section 139A the  
7 following new section:

8 **“SEC. 139B. BENEFITS PROVIDED TO VOLUNTEER FIRE-**  
9 **FIGHTERS AND EMERGENCY MEDICAL RE-**  
10 **SPONDERS.**

11 “(a) IN GENERAL.—In the case of any member of  
12 a qualified volunteer emergency response organization,  
13 gross income shall not include—

14 “(1) any qualified State and local tax benefit,  
15 and

16 “(2) any qualified payment.

17 “(b) DENIAL OF DOUBLE BENEFITS.—In the case  
18 of any member of a qualified volunteer emergency re-  
19 sponse organization—

20 “(1) the deduction under 164 shall be deter-  
21 mined with regard to any qualified State and local  
22 tax benefit, and

23 “(2) expenses paid or incurred by the taxpayer  
24 in connection with the performance of services as  
25 such a member shall be taken into account under  
26 section 170 only to the extent such expenses exceed

1 the amount of any qualified payment excluded from  
2 gross income under subsection (a).

3 “(c) DEFINITIONS.—For purposes of this section—

4 “(1) QUALIFIED STATE AND LOCAL TAX BEN-  
5 EFIT.—The term ‘qualified state and local tax ben-  
6 efit’ means any reduction or rebate of a tax de-  
7 scribed in paragraph (1), (2), or (3) of section  
8 164(a) provided by a State or political division  
9 thereof on account of services performed as a mem-  
10 ber of a qualified volunteer emergency response or-  
11 ganization.

12 “(2) QUALIFIED PAYMENT.—

13 “(A) IN GENERAL.—The term ‘qualified  
14 payment’ means any payment (whether reim-  
15 bursement or otherwise) provided by a State or  
16 political division thereof on account of the per-  
17 formance of services as a member of a qualified  
18 volunteer emergency response organization.

19 “(B) APPLICABLE DOLLAR LIMITATION.—

20 The amount determined under subparagraph  
21 (A) for any taxable year shall not exceed \$30  
22 multiplied by the number of months during  
23 such year that the taxpayer performs such serv-  
24 ices.

1           “(3) QUALIFIED VOLUNTEER EMERGENCY RE-  
 2           SPONSE ORGANIZATION.—The term ‘qualified volun-  
 3           teer emergency response organization’ means any  
 4           volunteer organization—

5                   “(A) which is organized and operated to  
 6                   provide firefighting or emergency medical serv-  
 7                   ices for persons in the State or political subdivi-  
 8                   sion, as the case may be, and

9                   “(B) which is required (by written agree-  
 10                  ment) by the State or political subdivision to  
 11                  furnish firefighting or emergency medical serv-  
 12                  ices in such State or political subdivision.”.

13           (b) CLERICAL AMENDMENT.—The table of sections  
 14           for such part is amended by inserting after the item relat-  
 15           ing to section 139A the following new item:

                  “Sec. 139B. Benefits provided to volunteer firefighters and emergency medical  
                   responders.”.

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

19           **SEC. 106. SPECIAL PERIOD OF LIMITATION WHEN UNI-**  
 20                           **FORMED SERVICES RETIRED PAY IS RE-**  
 21                           **DUCED AS A RESULT OF AWARD OF DIS-**  
 22                           **ABILITY COMPENSATION.**

23           (a) IN GENERAL.—Subsection (d) of section 6511  
 24           (relating to special rules applicable to income taxes) is

1 amended by adding at the end the following new para-  
2 graph:

3 “(8) SPECIAL RULES WHEN UNIFORMED SERV-  
4 ICES RETIRED PAY IS REDUCED AS A RESULT OF  
5 AWARD OF DISABILITY COMPENSATION.—

6 “(A) PERIOD OF LIMITATION ON FILING  
7 CLAIM.—If the claim for credit or refund re-  
8 lates to an overpayment of tax imposed by sub-  
9 title A on account of—

10 “(i) the reduction of uniformed serv-  
11 ices retired pay computed under section  
12 1406 or 1407 of title 10, United States  
13 Code, or

14 “(ii) the waiver of such pay under sec-  
15 tion 5305 of title 38 of such Code,

16 as a result of an award of compensation under  
17 title 38 of such Code pursuant to a determina-  
18 tion by the Secretary of Veterans Affairs, the 3-  
19 year period of limitation prescribed in sub-  
20 section (a) shall be extended, for purposes of  
21 permitting a credit or refund based upon the  
22 amount of such reduction or waiver, until the  
23 end of the 1-year period beginning on the date  
24 of such determination.

1           “(B) LIMITATION TO 5 TAXABLE YEARS.—  
2           Subparagraph (A) shall not apply with respect  
3           to any taxable year which began more than 5  
4           years before the date of such determination.”.

5           (b) EFFECTIVE DATE.—The amendment made by  
6 subsection (a) shall apply to claims for credit or refund  
7 filed after the date of the enactment of this Act.

8           (c) TRANSITION RULES.—In the case of a determina-  
9 tion described in paragraph (8) of section 6511(d) of the  
10 Internal Revenue Code of 1986 (as added by this section)  
11 which is made by the Secretary of Veterans Affairs after  
12 December 31, 2000, and before the date of the enactment  
13 of this Act, such paragraph—

14           (1) shall not apply with respect to any taxable  
15 year which began before January 1, 2001, and

16           (2) shall be applied by substituting for “the  
17 date of such determination” in subparagraph (A)  
18 thereof.

19 **SEC. 107. DISTRIBUTIONS FROM RETIREMENT PLANS TO**  
20 **INDIVIDUALS CALLED TO ACTIVE DUTY.**

21           (a) IN GENERAL.—Clause (iv) of section 72(t)(2)(G)  
22 is amended by striking “, and before December 31, 2007”.

23           (b) EFFECTIVE DATE.—The amendment made by  
24 this section shall apply to individuals ordered or called to  
25 active duty on or after December 31, 2007.

1 **SEC. 108. DISCLOSURE OF RETURN INFORMATION RELAT-**  
2 **ING TO VETERANS PROGRAMS MADE PERMA-**  
3 **NENT.**

4 (a) **IN GENERAL.**—Subparagraph (D) of section  
5 6103(l)(7) (relating to disclosure of return information to  
6 Federal, State, and local agencies administering certain  
7 programs under the Social Security Act, the Food Stamp  
8 Act of 1977, or title 38, United States Code or certain  
9 housing assistance programs) is amended by striking the  
10 last sentence.

11 (b) **EFFECTIVE DATE.**—The amendments made by  
12 this section shall apply to requests made after September  
13 30, 2008.

14 **SEC. 109. CONTRIBUTIONS OF MILITARY DEATH GRATU-**  
15 **ITIES TO ROTH IRAS AND EDUCATION SAV-**  
16 **INGS ACCOUNTS.**

17 (a) **PROVISION IN EFFECT BEFORE PENSION PRO-**  
18 **TECTION ACT.**—Subsection (e) of section 408A (relating  
19 to qualified rollover contribution), as in effect before the  
20 amendments made by section 824 of the Pension Protec-  
21 tion Act of 2006, is amended to read as follows:

22 “(e) **QUALIFIED ROLLOVER CONTRIBUTION.**—For  
23 purposes of this section—

24 “(1) **IN GENERAL.**—The term ‘qualified rollover  
25 contribution’ means a rollover contribution to a Roth  
26 IRA from another such account, or from an indi-

1 individual retirement plan, but only if such rollover con-  
2 tribution meets the requirements of section  
3 408(d)(3). Such term includes a rollover contribu-  
4 tion described in section 402A(c)(3)(A). For pur-  
5 poses of section 408(d)(3)(B), there shall be dis-  
6 regarded any qualified rollover contribution from an  
7 individual retirement plan (other than a Roth IRA)  
8 to a Roth IRA.

9 “(2) MILITARY DEATH GRATUITY.—

10 “(A) IN GENERAL.—The term ‘qualified  
11 rollover contribution’ includes a contribution to  
12 a Roth IRA maintained for the benefit of an in-  
13 dividual made before the end of the 1-year pe-  
14 riod beginning on the date on which such indi-  
15 vidual receives an amount under section 1477  
16 of title 10, United States Code, or section 1967  
17 of title 38 of such Code, with respect to a per-  
18 son, to the extent that such contribution does  
19 not exceed—

20 “(i) the sum of the amounts received  
21 during such period by such individual  
22 under such sections with respect to such  
23 person, reduced by

1           “(ii) the amounts so received which  
2           were contributed to a Coverdell education  
3           savings account under section 530(d)(9).

4           “(B) ANNUAL LIMIT ON NUMBER OF  
5           ROLLOVERS NOT TO APPLY.—Section  
6           408(d)(3)(B) shall not apply with respect to  
7           amounts treated as a rollover by subparagraph  
8           (A).

9           “(C) APPLICATION OF SECTION 72.—For  
10           purposes of applying section 72 in the case of  
11           a distribution which is not a qualified distribu-  
12           tion, the amount treated as a rollover by reason  
13           of subparagraph (A) shall be treated as invest-  
14           ment in the contract.”.

15           (b) PROVISION IN EFFECT AFTER PENSION PROTEC-  
16           TION ACT.—Subsection (e) of section 408A, as in effect  
17           after the amendments made by section 824 of the Pension  
18           Protection Act of 2006, is amended to read as follows:

19           “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For  
20           purposes of this section—

21           “(1) IN GENERAL.—The term ‘qualified rollover  
22           contribution’ means a rollover contribution—

23           “(A) to a Roth IRA from another such ac-  
24           count,

1           “(B) from an eligible retirement plan, but  
2 only if—

3           “(i) in the case of an individual retire-  
4 ment plan, such rollover contribution meets  
5 the requirements of section 408(d)(3), and

6           “(ii) in the case of any eligible retire-  
7 ment plan (as defined in section  
8 402(c)(8)(B) other than clauses (i) and (ii)  
9 thereof), such rollover contribution meets  
10 the requirements of section 402(c),  
11 403(b)(8), or 457(e)(16), as applicable.

12 For purposes of section 408(d)(3)(B), there  
13 shall be disregarded any qualified rollover con-  
14 tribution from an individual retirement plan  
15 (other than a Roth IRA) to a Roth IRA.

16 “(2) MILITARY DEATH GRATUITY.—

17           “(A) IN GENERAL.—The term ‘qualified  
18 rollover contribution’ includes a contribution to  
19 a Roth IRA maintained for the benefit of an in-  
20 dividual made before the end of the 1-year pe-  
21 riod beginning on the date on which such indi-  
22 vidual receives an amount under section 1477  
23 of title 10, United States Code, or section 1967  
24 of title 38 of such Code, with respect to a per-

1 son, to the extent that such contribution does  
2 not exceed—

3 “(i) the sum of the amounts received  
4 during such period by such individual  
5 under such sections with respect to such  
6 person, reduced by

7 “(ii) the amounts so received which  
8 were contributed to a Coverdell education  
9 savings account under section 530(d)(9).

10 “(B) ANNUAL LIMIT ON NUMBER OF  
11 ROLLOVERS NOT TO APPLY.—Section  
12 408(d)(3)(B) shall not apply with respect to  
13 amounts treated as a rollover by the subpara-  
14 graph (A).

15 “(C) APPLICATION OF SECTION 72.—For  
16 purposes of applying section 72 in the case of  
17 a distribution which is not a qualified distribu-  
18 tion, the amount treated as a rollover by reason  
19 of subparagraph (A) shall be treated as invest-  
20 ment in the contract.”.

21 (c) EDUCATION SAVINGS ACCOUNTS.—Subsection  
22 (d) of section 530 is amended by adding at the end the  
23 following new paragraph:

24 “(9) MILITARY DEATH GRATUITY.—

1           “(A) IN GENERAL.—For purposes of this  
2 section, the term ‘rollover contribution’ includes  
3 a contribution to a Coverdell education savings  
4 account made before the end of the 1-year pe-  
5 riod beginning on the date on which the con-  
6 tributor receives an amount under section 1477  
7 of title 10, United States Code, or section 1967  
8 of title 38 of such Code, with respect to a per-  
9 son, to the extent that such contribution does  
10 not exceed—

11                   “(i) the sum of the amounts received  
12 during such period by such contributor  
13 under such sections with respect to such  
14 person, reduced by

15                   “(ii) the amounts so received which  
16 were contributed to a Roth IRA under sec-  
17 tion 408A(e)(2) or to another Coverdell  
18 education savings account.

19           “(B) ANNUAL LIMIT ON NUMBER OF  
20 ROLLOVERS NOT TO APPLY.—The last sentence  
21 of paragraph (5) shall not apply with respect to  
22 amounts treated as a rollover by the subpara-  
23 graph (A).

24           “(C) APPLICATION OF SECTION 72.—For  
25 purposes of applying section 72 in the case of

1 a distribution which is includible in gross in-  
2 come under paragraph (1), the amount treated  
3 as a rollover by reason of subparagraph (A)  
4 shall be treated as investment in the contract.”.

5 (d) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided by para-  
7 graphs (2) and (3), the amendments made by this  
8 section shall apply with respect to deaths from inju-  
9 ries occurring on or after the date of the enactment  
10 of this Act.

11 (2) APPLICATION OF AMENDMENTS TO DEATHS  
12 FROM INJURIES OCCURRING ON OR AFTER OCTOBER  
13 7, 2001, AND BEFORE ENACTMENT.—The amend-  
14 ments made by this section shall apply to any con-  
15 tribution made pursuant to section 408A(e)(2) or  
16 530(d)(5) of the Internal Revenue Code of 1986, as  
17 amended by this Act, with respect to amounts re-  
18 ceived under section 1477 of title 10, United States  
19 Code, or under section 1967 of title 38 of such  
20 Code, for deaths from injuries occurring on or after  
21 October 7, 2001, and before the date of the enact-  
22 ment of this Act if such contribution is made not  
23 later than 1 year after the date of the enactment of  
24 this Act.

1           (3) PENSION PROTECTION ACT CHANGES.—Sec-  
2           tion 408A(e)(1) of the Internal Revenue Code of  
3           1986 (as in effect after the amendments made by  
4           subsection (b)) shall apply to taxable years begin-  
5           ning after December 31, 2007.

6   **SEC. 110. SUSPENSION OF 5-YEAR PERIOD DURING SERV-**  
7                           **ICE WITH THE PEACE CORPS.**

8           (a) IN GENERAL.—Subsection (d) of section 121 (re-  
9           lating to special rules) is amended by adding at the end  
10          the following new paragraph:

11                       “(12) PEACE CORPS.—

12                               “(A) IN GENERAL.—At the election of an  
13                               individual with respect to a property, the run-  
14                               ning of the 5-year period described in sub-  
15                               sections (a) and (c)(1)(B) and paragraph (7) of  
16                               this subsection with respect to such property  
17                               shall be suspended during any period that such  
18                               individual or such individual’s spouse is serving  
19                               outside the United States—

20                                       “(i) on qualified official extended duty  
21                                       (as defined in paragraph (9)(C)) as an em-  
22                                       ployee of the Peace Corps, or

23                                       “(ii) as an enrolled volunteer or volun-  
24                                       teer leader under section 5 or 6 (as the

1 case may be) of the Peace Corps Act (22  
2 U.S.C. 2504, 2505).

3 “(B) APPLICABLE RULES.—For purposes  
4 of subparagraph (A), rules similar to the rules  
5 of subparagraphs (B) and (D) shall apply.”.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 subsection (a) shall apply to taxable years beginning after  
8 December 31, 2007.

9 **TITLE II—IMPROVEMENTS IN**  
10 **SUPPLEMENTAL SECURITY**  
11 **INCOME**

12 **SEC. 201. TREATMENT OF UNIFORMED SERVICE CASH RE-**  
13 **MUNERATION AS EARNED INCOME.**

14 (a) IN GENERAL.—Section 1612(a)(1)(A) of the So-  
15 cial Security Act (42 U.S.C. 1382a(a)(1)(A)) is amended  
16 by inserting “(and, in the case of cash remuneration paid  
17 for service as a member of a uniformed service (other than  
18 payments described in paragraph (2)(H) of this subsection  
19 or subsection (b)(20)), without regard to the limitations  
20 contained in section 209(d))” before the semicolon.

21 (b) CERTAIN HOUSING PAYMENTS TREATED AS IN-  
22 KIND SUPPORT AND MAINTENANCE.—Section 1612(a)(2)  
23 of such Act (42 U.S.C. 1382a(a)(2)) is amended—

24 (1) by striking “and” at the end of subpara-  
25 graph (F);

1           (2) by striking the period at the end of sub-  
2 paragraph (G) and inserting “; and”; and

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

4           “(H) payments to or on behalf of a mem-  
5 ber of a uniformed service for housing of the  
6 member (and his or her dependents, if any) on  
7 a facility of a uniformed service, including pay-  
8 ments provided under section 403 of title 37,  
9 United States Code, for housing that is ac-  
10 quired or constructed under subchapter IV of  
11 chapter 169 of title 10 of such Code, or any re-  
12 lated provision of law, and any such payments  
13 shall be treated as support and maintenance in  
14 kind subject to subparagraph (A) of this para-  
15 graph.”.

16 **SEC. 202. STATE ANNUITIES FOR BLIND VETERANS TO BE**  
17 **DISREGARDED IN DETERMINING SUPPLE-**  
18 **MENTAL SECURITY INCOME BENEFITS.**

19           (a) INCOME DISREGARD.—Section 1612(b) of the So-  
20 cial Security Act (42 U.S.C. 1382a(b)) is amended—

21           (1) by striking “and” at the end of paragraph

22 (22);

23           (2) by striking the period at the end of para-  
24 graph (23) and inserting “; and”; and

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



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

3           (2) in paragraph (24), by striking the period  
4           and inserting “; and”; and

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

6           “(25) any benefit (whether cash or in-kind)  
7           conferred upon (or paid on behalf of) a participant  
8           in an AmeriCorps position approved by the Corpora-  
9           tion for National and Community Service under  
10          section 123 of the National and Community Service  
11          Act of 1990 (42 U.S.C. 12573).”.

12 **SEC. 204. EFFECTIVE DATE.**

13          The amendments made by this title shall be effective  
14 with respect to benefits payable for months beginning  
15 after 60 days after the date of the enactment of this Act.

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