

One Hundred Ninth Congress  
of the  
United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Tuesday,  
the third day of January, two thousand and six*

An Act

To provide economic security for all Americans, and for other purposes.

*Be it enacted by the Senate and House of Representatives of  
the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

(a) **SHORT TITLE.**—This Act may be cited as the “Pension Protection Act of 2006”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act (other than so much of title XIV as follows section 1401) is as follows:

Sec. 1. Short title and table of contents.

**TITLE I—REFORM OF FUNDING RULES FOR SINGLE-EMPLOYER DEFINED  
BENEFIT PENSION PLANS**

**Subtitle A—Amendments to Employee Retirement Income Security Act of 1974**

- Sec. 101. Minimum funding standards.
- Sec. 102. Funding rules for single-employer defined benefit pension plans.
- Sec. 103. Benefit limitations under single-employer plans.
- Sec. 104. Special rules for multiple employer plans of certain cooperatives.
- Sec. 105. Temporary relief for certain PBGC settlement plans.
- Sec. 106. Special rules for plans of certain government contractors.
- Sec. 107. Technical and conforming amendments.

**Subtitle B—Amendments to Internal Revenue Code of 1986**

- Sec. 111. Minimum funding standards.
- Sec. 112. Funding rules for single-employer defined benefit pension plans.
- Sec. 113. Benefit limitations under single-employer plans.
- Sec. 114. Technical and conforming amendments.
- Sec. 115. Modification of transition rule to pension funding requirements.
- Sec. 116. Restrictions on funding of nonqualified deferred compensation plans by employers maintaining underfunded or terminated single-employer plans.

**TITLE II—FUNDING RULES FOR MULTIEMPLOYER DEFINED BENEFIT  
PLANS AND RELATED PROVISIONS**

**Subtitle A—Amendments to Employee Retirement Income Security Act of 1974**

- Sec. 201. Funding rules for multiemployer defined benefit plans.
- Sec. 202. Additional funding rules for multiemployer plans in endangered or critical status.
- Sec. 203. Measures to forestall insolvency of multiemployer plans.
- Sec. 204. Withdrawal liability reforms.
- Sec. 205. Prohibition on retaliation against employers exercising their rights to petition the Federal Government.
- Sec. 206. Special rule for certain benefits funded under an agreement approved by the Pension Benefit Guaranty Corporation.

**Subtitle B—Amendments to Internal Revenue Code of 1986**

- Sec. 211. Funding rules for multiemployer defined benefit plans.
- Sec. 212. Additional funding rules for multiemployer plans in endangered or critical status.

**SEC. 1213. REFORM OF CHARITABLE CONTRIBUTIONS OF CERTAIN EASEMENTS IN REGISTERED HISTORIC DISTRICTS AND REDUCED DEDUCTION FOR PORTION OF QUALIFIED CONSERVATION CONTRIBUTION ATTRIBUTABLE TO REHABILITATION CREDIT.**

(a) SPECIAL RULES WITH RESPECT TO BUILDINGS IN REGISTERED HISTORIC DISTRICTS.—

(1) IN GENERAL.—Paragraph (4) of section 170(h) (relating to definition of conservation purpose) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) SPECIAL RULES WITH RESPECT TO BUILDINGS IN REGISTERED HISTORIC DISTRICTS.—In the case of any contribution of a qualified real property interest which is a restriction with respect to the exterior of a building described in subparagraph (C)(ii), such contribution shall not be considered to be exclusively for conservation purposes unless—

“(i) such interest—

“(I) includes a restriction which preserves the entire exterior of the building (including the front, sides, rear, and height of the building), and

“(II) prohibits any change in the exterior of the building which is inconsistent with the historical character of such exterior,

“(ii) the donor and donee enter into a written agreement certifying, under penalty of perjury, that the donee—

“(I) is a qualified organization (as defined in paragraph (3)) with a purpose of environmental protection, land conservation, open space preservation, or historic preservation, and

“(II) has the resources to manage and enforce the restriction and a commitment to do so, and

“(iii) in the case of any contribution made in a taxable year beginning after the date of the enactment of this subparagraph, the taxpayer includes with the taxpayer’s return for the taxable year of the contribution—

“(I) a qualified appraisal (within the meaning of subsection (f)(11)(E)) of the qualified property interest,

“(II) photographs of the entire exterior of the building, and

“(III) a description of all restrictions on the development of the building.”.

(b) **DISALLOWANCE OF DEDUCTION FOR STRUCTURES AND LAND IN REGISTERED HISTORIC DISTRICTS.**—Subparagraph (C) of section 170(h)(4), as redesignated by subsection (a), is amended—

- (1) by striking “any building, structure, or land area which”,
- (2) by inserting “any building, structure, or land area which” before “is listed” in clause (i), and
- (3) by inserting “any building which” before “is located” in clause (ii).

(c) **FILING FEE FOR CERTAIN CONTRIBUTIONS.**—Subsection (f) of section 170 (relating to disallowance of deduction in certain cases and special rules) is amended by adding at the end the following new paragraph:

“(13) **CONTRIBUTIONS OF CERTAIN INTERESTS IN BUILDINGS LOCATED IN REGISTERED HISTORIC DISTRICTS.**—

“(A) **IN GENERAL.**—No deduction shall be allowed with respect to any contribution described in subparagraph (B) unless the taxpayer includes with the return for the taxable year of the contribution a \$500 filing fee.

“(B) **CONTRIBUTION DESCRIBED.**—A contribution is described in this subparagraph if such contribution is a qualified conservation contribution (as defined in subsection (h)) which is a restriction with respect to the exterior of a building described in subsection (h)(4)(C)(ii) and for which a deduction is claimed in excess of \$10,000.

“(C) **DEDICATION OF FEE.**—Any fee collected under this paragraph shall be used for the enforcement of the provisions of subsection (h).”.

(d) **REDUCED DEDUCTION FOR PORTION OF QUALIFIED CONSERVATION CONTRIBUTION ATTRIBUTABLE TO THE REHABILITATION CREDIT.**—Subsection (f) of section 170, as amended by subsection (c), is amended by adding at the end the following new paragraph:

“(14) **REDUCTION FOR AMOUNTS ATTRIBUTABLE TO REHABILITATION CREDIT.**—In the case of any qualified conservation contribution (as defined in subsection (h)), the amount of the deduction allowed under this section shall be reduced by an amount which bears the same ratio to the fair market value of the contribution as—

“(A) the sum of the credits allowed to the taxpayer under section 47 for the 5 preceding taxable years with respect to any building which is a part of such contribution, bears to

“(B) the fair market value of the building on the date of the contribution.”.

(e) **EFFECTIVE DATES.**—

(1) **SPECIAL RULES FOR BUILDINGS IN REGISTERED HISTORIC DISTRICTS.**—The amendments made by subsection (a) shall apply to contributions made after July 25, 2006.

(2) **DISALLOWANCE OF DEDUCTION FOR STRUCTURES AND LAND; REDUCTION FOR REHABILITATION CREDIT.**—The amendments made by subsections (b) and (d) shall apply to contributions made after the date of the enactment of this Act.

(3) **FILING FEE.**—The amendment made by subsection (c) shall apply to contributions made 180 days after the date of the enactment of this Act.

**SEC. 1219. PROVISIONS RELATING TO SUBSTANTIAL AND GROSS OVER-STATEMENTS OF VALUATIONS.**

**(a) MODIFICATION OF THRESHOLDS FOR SUBSTANTIAL AND GROSS VALUATION MISSTATEMENTS.—**

**(1) SUBSTANTIAL VALUATION MISSTATEMENT.—**

**(A) INCOME TAXES.—**Subparagraph (A) of section 6662(e)(1) (relating to substantial valuation misstatement under chapter 1) is amended by striking “200 percent” and inserting “150 percent”.

**(B) ESTATE AND GIFT TAXES.—**Paragraph (1) of section 6662(g) is amended by striking “50 percent” and inserting “65 percent”.

**(2) GROSS VALUATION MISSTATEMENT.—**

**(A) INCOME TAXES.—**Clauses (i) and (ii) of section 6662(h)(2)(A) (relating to increase in penalty in case of gross valuation misstatements) are amended to read as follows:

“(i) in paragraph (1)(A), ‘200 percent’ for ‘150 percent’,

“(ii) in paragraph (1)(B)(i)—

“(I) ‘400 percent’ for ‘200 percent’, and

“(II) ‘25 percent’ for ‘50 percent’, and”.

**(B) ESTATE AND GIFT TAXES.—**Subparagraph (C) of section 6662(h)(2) is amended by striking “‘25 percent’ for ‘50 percent’” and inserting “‘40 percent’ for ‘65 percent’”.

(3) ELIMINATION OF REASONABLE CAUSE EXCEPTION FOR GROSS MISSTATEMENTS.—Section 6664(c)(2) (relating to reasonable cause exception for underpayments) is amended by striking “paragraph (1) shall not apply unless” and inserting “paragraph (1) shall not apply. The preceding sentence shall not apply to a substantial valuation overstatement under chapter 1 if”.

(b) PENALTY ON APPRAISERS WHOSE APPRAISALS RESULT IN SUBSTANTIAL OR GROSS VALUATION MISSTATEMENTS.—

(1) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6695 the following new section:

**“SEC. 6695A. SUBSTANTIAL AND GROSS VALUATION MISSTATEMENTS ATTRIBUTABLE TO INCORRECT APPRAISALS.**

“(a) IMPOSITION OF PENALTY.—If—

“(1) a person prepares an appraisal of the value of property and such person knows, or reasonably should have known, that the appraisal would be used in connection with a return or a claim for refund, and

“(2) the claimed value of the property on a return or claim for refund which is based on such appraisal results in a substantial valuation misstatement under chapter 1 (within the meaning of section 6662(e)), or a gross valuation misstatement (within the meaning of section 6662(h)), with respect to such property, then such person shall pay a penalty in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—The amount of the penalty imposed under subsection (a) on any person with respect to an appraisal shall be equal to the lesser of—

“(1) the greater of—

“(A) 10 percent of the amount of the underpayment (as defined in section 6664(a)) attributable to the misstatement described in subsection (a)(2), or

“(B) \$1,000, or

“(2) 125 percent of the gross income received by the person described in subsection (a)(1) from the preparation of the appraisal.

“(c) EXCEPTION.—No penalty shall be imposed under subsection (a) if the person establishes to the satisfaction of the Secretary that the value established in the appraisal was more likely than not the proper value.”.

(2) RULES APPLICABLE TO PENALTY.—Section 6696 (relating to rules applicable with respect to sections 6694 and 6695) is amended—

(A) by striking “6694 and 6695” each place it appears in the text and heading thereof and inserting “6694, 6695, and 6695A”, and

(B) by striking “6694 or 6695” each place it appears in the text and inserting “6694, 6695, or 6695A”.

(3) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6696 and inserting the following new items:

“Sec. 6695A. Substantial and gross valuation misstatements attributable to incorrect appraisals.

“Sec. 6696. Rules applicable with respect to sections 6694, 6695, and 6695A.”.

(c) QUALIFIED APPRAISERS AND APPRAISALS.—

(1) IN GENERAL.—Subparagraph (E) of section 170(f)(11) is amended to read as follows:

“(E) QUALIFIED APPRAISAL AND APPRAISER.—For purposes of this paragraph—

“(i) QUALIFIED APPRAISAL.—The term ‘qualified appraisal’ means, with respect to any property, an appraisal of such property which—

“(I) is treated for purposes of this paragraph as a qualified appraisal under regulations or other guidance prescribed by the Secretary, and

“(II) is conducted by a qualified appraiser in accordance with generally accepted appraisal standards and any regulations or other guidance prescribed under subclause (I).

“(ii) QUALIFIED APPRAISER.—Except as provided in clause (iii), the term ‘qualified appraiser’ means an individual who—

“(I) has earned an appraisal designation from a recognized professional appraiser organization or has otherwise met minimum education and experience requirements set forth in regulations prescribed by the Secretary,

“(II) regularly performs appraisals for which the individual receives compensation, and

“(III) meets such other requirements as may be prescribed by the Secretary in regulations or other guidance.

“(iii) SPECIFIC APPRAISALS.—An individual shall not be treated as a qualified appraiser with respect to any specific appraisal unless—

“(I) the individual demonstrates verifiable education and experience in valuing the type of property subject to the appraisal, and

“(II) the individual has not been prohibited from practicing before the Internal Revenue Service by the Secretary under section 330(c) of title 31, United States Code, at any time during the 3-year period ending on the date of the appraisal.”.

(2) REASONABLE CAUSE EXCEPTION.—Subparagraphs (B) and (C) of section 6664(c)(3) are amended to read as follows:

“(B) QUALIFIED APPRAISAL.—The term ‘qualified appraisal’ has the meaning given such term by section 170(f)(11)(E)(i).

“(C) QUALIFIED APPRAISER.—The term ‘qualified appraiser’ has the meaning given such term by section 170(f)(11)(E)(ii).”.

(d) DISCIPLINARY ACTIONS AGAINST APPRAISERS.—Section 330(c) of title 31, United States Code, is amended by striking “with respect to whom a penalty has been assessed under section 6701(a) of the Internal Revenue Code of 1986”.

(e) EFFECTIVE DATES.—

(1) MISSTATEMENT PENALTIES.—Except as provided in paragraph (3), the amendments made by subsection (a) shall apply to returns filed after the date of the enactment of this Act.

(2) APPRAISER PROVISIONS.—Except as provided in paragraph (3), the amendments made by subsections (b), (c), and

(d) shall apply to appraisals prepared with respect to returns or submissions filed after the date of the enactment of this Act.

(3) SPECIAL RULE FOR CERTAIN EASEMENTS.—In the case of a contribution of a qualified real property interest which is a restriction with respect to the exterior of a building described in section 170(h)(4)(C)(ii) of the Internal Revenue Code of 1986, and an appraisal with respect to the contribution, the amendments made by subsections (a) and (b) shall apply to returns filed after July 25, 2006.