1	paragraph (C) and by inserting after subparagraph (A)
2	the following new subparagraph:
3	"(B) Exemption for certain wooden
4	ARROW SHAFTS.—Subparagraph (A) shall not
5	apply to any shaft consisting of all natural
6	wood with no laminations or artificial means of
7	enhancing the spine of such shaft (whether sold
8	separately or incorporated as part of a finished
9	or unfinished product) of a type used in the
10	manufacture of any arrow which after its as-
11	sembly—
12	"(i) measures 5/16 of an inch or less in
13	diameter, and
14	"(ii) is not suitable for use with a bow
15	described in paragraph $(1)(A)$ .".
16	(b) Effective Date.—The amendments made by
17	this section shall apply to shafts first sold after the date
18	of enactment of this Act.
19	SEC. 504. INCOME AVERAGING FOR AMOUNTS RECEIVED IN
20	CONNECTION WITH THE EXXON VALDEZ LITI-
21	GATION.
22	(a) Income Averaging of Amounts Received
23	From the Exxon Valdez Litigation.—For purposes
24	of section 1301 of the Internal Revenue Code of 1986—

1	(1) any qualified taxpayer who receives any
2	qualified settlement income in any taxable year shall
3	be treated as engaged in a fishing business (deter-
4	mined without regard to the commercial nature of
5	the business), and
6	(2) such qualified settlement income shall be
7	treated as income attributable to such a fishing busi-
8	ness for such taxable year.
9	(b) Contributions of Amounts Received to Re-
10	TIREMENT ACCOUNTS.—
11	(1) IN GENERAL.—Any qualified taxpayer who
12	receives qualified settlement income during the tax-
13	able year may, at any time before the end of the tax-
14	able year in which such income was received, make
15	one or more contributions to an eligible retirement
16	plan of which such qualified taxpayer is a bene-
17	ficiary in an aggregate amount not to exceed the
18	lesser of—
19	(A) \$100,000 (reduced by the amount of
20	qualified settlement income contributed to an
21	eligible retirement plan in prior taxable years
22	pursuant to this subsection), or
23	(B) the amount of qualified settlement in-
24	come received by the individual during the tax-
25	able year.

1	(2) Time when contributions deemed
2	MADE.—For purposes of paragraph (1), a qualified
3	taxpayer shall be deemed to have made a contribu-
4	tion to an eligible retirement plan on the last day of
5	the taxable year in which such income is received if
6	the contribution is made on account of such taxable
7	year and is made not later than the time prescribed
8	by law for filing the return for such taxable year
9	(not including extensions thereof).
10	(3) Treatment of contributions to eligi-
11	BLE RETIREMENT PLANS.—For purposes of the In-
12	ternal Revenue Code of 1986, if a contribution is
13	made pursuant to paragraph (1) with respect to
14	qualified settlement income, then—
15	(A) except as provided in paragraph (4)—
16	(i) to the extent of such contribution,
17	the qualified settlement income shall not
18	be included in taxable income, and
19	(ii) for purposes of section 72 of such
20	Code, such contribution shall not be con-
21	sidered to be investment in the contract,
22	(B) the qualified taxpayer shall, to the ex-
23	tent of the amount of the contribution, be treat-
24	ed

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1	(i) as having received the qualified
2	settlement income—
3	(I) in the case of a contribution
4	to an individual retirement plan (as
5	defined under section 7701(a)(37) of
6	such Code), in a distribution described
7	in section 408(d)(3) of such Code,
8	and
9	(II) in the case of any other eligi-
10	ble retirement plan, in an eligible roll-
11	over distribution (as defined under
12	section $402(f)(2)$ of such Code), and
13	(ii) as having transferred the amount
14	to the eligible retirement plan in a direct
15	trustee to trustee transfer within 60 days
16	of the distribution,
17	(C) section 408(d)(3)(B) of the Internal
8	Revenue Code of 1986 shall not apply with re-
9	spect to amounts treated as a rollover under
20	this paragraph, and
21	(D) section $408A(c)(3)(B)$ of the Internal
22	Revenue Code of 1986 shall not apply with re-
23	spect to amounts contributed to a Roth IRA (as
24	defined under section 408A(b) of such Code) or
25	a designated Roth contribution to an applicable

1	retirement plan (within the meaning of section
2	402A of such Code) under this paragraph.
3	(4) Special rule for roth iras and roth
4	401(k)s.—For purposes of the Internal Revenue
5	Code of 1986, if a contribution is made pursuant to
6	paragraph (1) with respect to qualified settlement
7	income to a Roth IRA (as defined under section
8	408A(b) of such Code) or as a designated Roth con-
9	tribution to an applicable retirement plan (within
10	the meaning of section 402A of such Code), then—
11	(A) the qualified settlement income shall
12	be includible in taxable income, and
13	(B) for purposes of section 72 of such
14	Code, such contribution shall be considered to
15	be investment in the contract.
16	(5) Eligible retirement plan.—For pur-
17	pose of this subsection, the term "eligible retirement
18	plan" has the meaning given such term under sec-
19	tion $402(e)(8)(B)$ of the Internal Revenue Code of
20	1986.
21	(e) Treatment of Qualified Settlement In-
22	COME UNDER EMPLOYMENT TAXES.—
23	(1) SECA.—For purposes of chapter 2 of the
24	Internal Revenue Code of 1986 and section 211 of
25	the Social Security Act, no portion of qualified set-

1	tlement income received by a qualified taxpayer shall
2	be treated as self-employment income.
3	(2) FICA.—For purposes of chapter 21 of the
4	Internal Revenue Code of 1986 and section 209 of
5	the Social Security Act, no portion of qualified set-
6	tlement income received by a qualified taxpayer shall
7	be treated as wages.
8	(d) QUALIFIED TAXPAYER.—For purposes of this
9	section, the term "qualified taxpayer" means—
10	(1) any individual who is a plaintiff in the civil
11	action In re Exxon Valdez, No. 89–095–CV (HRH)
12	(Consolidated) (D. Alaska); or
13	(2) any individual who is a beneficiary of the
14	estate of such a plaintiff who—
15	(A) acquired the right to receive qualified
16	settlement income from that plaintiff; and
17	(B) was the spouse or an immediate rel-
18	ative of that plaintiff.
19	(e) QUALIFIED SETTLEMENT INCOME.—For pur-
20	poses of this section, the term "qualified settlement in-
21	come" means any interest and punitive damage awards
22	which are—
23	(1) otherwise includible in taxable income, and
24	(2) received (whether as lump sums or periodic
25	payments) in connection with the civil action In re

I	Exxon valdez, No. 89–095–CV (HKH) (Conson-
2	dated) (D. Alaska) (whether pre- or post-judgment
3	and whether related to a settlement or judgment).
4	SEC. 505. CERTAIN FARMING BUSINESS MACHINERY AND
5	EQUIPMENT TREATED AS 5-YEAR PROPERTY.
6	(a) In General.—Section 168(e)(3)(B) (defining 5-
7	year property) is amended by striking "and" at the end
8	of clause (v), by striking the period at the end of clause
9	(vi)(III) and inserting ", and", and by inserting after
10	clause (vi) the following new clause:
11	"(vii) any machinery or equipment
12	(other than any grain bin, cotton ginning
13	asset, fence, or other land improvement)
14	which is used in a farming business (as de-
15	fined in section 263A(e)(4)), the original
16	use of which commences with the taxpayer
17	after December 31, 2008, and which is
18	placed in service before January 1, 2010.".
19	(b) Alternative System.—The table contained in
20	section $168(g)(3)(B)$ (relating to special rule for certain
21	property assigned to classes) is amended by inserting after
22	the item relating to subparagraph $(B)(iii)$ the following: