

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO COMMITTEE PRINT
PROVIDING FOR RECONCILIATION
OFFERED BY MR. SMITH OF MISSOURI**

Strike title XI and insert the following:

1 **TITLE XI—COMMITTEE ON WAYS**
2 **AND MEANS, “THE ONE, BIG,**
3 **BEAUTIFUL BILL”**

4 **SEC. 110000. REFERENCES TO THE INTERNAL REVENUE**
5 **CODE OF 1986, ETC.**

6 (a) REFERENCES.—Except as otherwise expressly
7 provided, whenever in this title, an amendment or repeal
8 is expressed in terms of an amendment to, or repeal of,
9 a section or other provision, the reference shall be consid-
10 ered to be made to a section or other provision of the In-
11 ternal Revenue Code of 1986.

12 (b) CERTAIN RULES REGARDING EFFECT OF RATE
13 CHANGES NOT APPLICABLE.—Section 15 of the Internal
14 Revenue Code of 1986 shall not apply to any change in
15 rate of tax by reason of any provision of, or amendment
16 made by, this title.

1 **Subtitle A—Make American**
2 **Families and Workers Thrive Again**
3 **PART 1—PERMANENTLY PREVENTING TAX HIKES**
4 **ON AMERICAN FAMILIES AND WORKERS**

5 **SEC. 110001. EXTENSION OF MODIFICATION OF RATES.**

6 (a) IN GENERAL.—Section 1(j) is amended—

7 (1) in paragraph (1), by striking “, and before
8 January 1, 2026”, and

9 (2) by striking “2018 THROUGH 2025” in the
10 heading and inserting “BEGINNING AFTER 2017”.

11 (b) INFLATION ADJUSTMENT.—Section 1(j)(3)(B)(i)
12 is amended by inserting “in the case of any taxable year
13 beginning after December 31, 2025, solely for purposes
14 of determining the dollar amounts at which the 35-percent
15 rate bracket ends and the 37-percent rate bracket begins,”
16 before “subsection (f)(3)”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2025.

20 **SEC. 110002. EXTENSION OF INCREASED STANDARD DEDUC-**
21 **TION AND TEMPORARY ENHANCEMENT.**

22 (a) IN GENERAL.—Section 63(c)(7) is amended—

23 (1) by striking “, and before January 1, 2026”

24 in the matter preceding subparagraph (A), and

1 (2) by striking “2018 THROUGH 2025” in the
2 heading and inserting “BEGINNING AFTER 2017”.

3 (b) TEMPORARY ADDITIONAL INCREASE IN STAND-
4 ARD DEDUCTION.—Section 63(c)(7) is amended by adding
5 at the end the following new subparagraph:

6 “(C) TEMPORARY ADDITIONAL INCREASE
7 IN STANDARD DEDUCTION.—In the case of any
8 taxable year beginning after December 31,
9 2024, and before January 1, 2029—

10 “(i) the dollar amount otherwise in ef-
11 fect under paragraph (2)(B) shall be in-
12 creased by \$1,500, and

13 “(ii) the dollar amount otherwise in
14 effect under paragraph (2)(C) shall be in-
15 creased by \$1,000.”.

16 (c) RECALCULATION OF INFLATION ADJUSTMENT.—
17 Section 63(c)(7)(B)(ii)(II) is amended by striking “, de-
18 termined by substituting ‘2017’ for ‘2016’ in subpara-
19 graph (A)(ii) thereof”.

20 (d) EFFECTIVE DATE.—

21 (1) IN GENERAL.—The amendments made by
22 subsection (a) shall apply to taxable years beginning
23 after December 31, 2025.

24 (2) TEMPORARY ADDITIONAL INCREASE IN
25 STANDARD DEDUCTION.—The amendment made by

1 subsection (b) shall apply to taxable years beginning
2 after December 31, 2024.

3 **SEC. 110003. TERMINATION OF DEDUCTION FOR PERSONAL**
4 **EXEMPTIONS.**

5 (a) IN GENERAL.—Section 151(d)(5) is amended—

6 (1) by striking “and before January 1, 2026”,

7 and

8 (2) by striking “2018 THROUGH 2025” in the
9 heading and inserting “BEGINNING AFTER 2017”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2025.

13 **SEC. 110004. EXTENSION OF INCREASED CHILD TAX CREDIT**
14 **AND TEMPORARY ENHANCEMENT.**

15 (a) EXTENSION OF EXPANDED CHILD TAX CRED-
16 IT.—Section 24(h) is amended—

17 (1) in paragraph (1), by striking “and before
18 January 1, 2026,” and

19 (2) by striking “2018 THROUGH 2025” in the
20 heading and inserting “BEGINNING AFTER 2017”.

21 (b) INCREASE IN CHILD TAX CREDIT.—Section
22 24(h)(2) is amended to read as follows:

23 “(2) CREDIT AMOUNT.—Subsection (a) shall be
24 applied by substituting—

1 “(A) in the case of taxable years beginning
2 after December 31, 2024, and before December
3 31, 2028, ‘\$2,500’ for ‘\$1,000’, or

4 “(B) in the case of any subsequent taxable
5 year, ‘\$2,000’ for ‘\$1,000’.”.

6 (c) SOCIAL SECURITY NUMBER REQUIRED.—Section
7 24(h)(7) is amended to read as follows:

8 “(7) SOCIAL SECURITY NUMBER REQUIRED.—

9 “(A) IN GENERAL.—No credit shall be al-
10 lowed under this section to a taxpayer with re-
11 spect to any qualifying child unless the taxpayer
12 includes on the return of tax for the taxable
13 year—

14 “(i) such individual’s social security
15 number,

16 “(ii) the social security number of
17 such qualifying child, and

18 “(iii) if the individual is married, the
19 social security number of such individual’s
20 spouse.

21 “(B) SOCIAL SECURITY NUMBER.—For
22 purposes of this paragraph, the term ‘social se-
23 curity number’ means a social security number
24 issued to an individual by the Social Security

1 Administration, but only if the social security
2 number is issued—

3 “(i) to a citizen of the United States
4 or pursuant to subclause (I) (or that por-
5 tion of subclause (III) that relates to sub-
6 clause (I)) of section 205(c)(2)(B)(i) of the
7 Social Security Act, and

8 “(ii) before the due date for such re-
9 turn.

10 “(C) MARRIED INDIVIDUALS.—Rules simi-
11 lar to the rules of section 32(d) shall apply to
12 this section.”.

13 (d) INFLATION ADJUSTMENTS.—

14 (1) IN GENERAL.—Section 24(i) is amended to
15 read as follows:

16 “(i) INFLATION ADJUSTMENTS.—

17 “(1) MAXIMUM AMOUNT OF REFUNDABLE
18 CREDIT.—In the case of a taxable year beginning
19 after 2024, the \$1,400 amount in subsection (h)(5)
20 shall be increased by an amount equal to—

21 “(A) such dollar amount, multiplied by

22 “(B) the cost-of-living adjustment deter-
23 mined under section 1(f)(3) for the calendar
24 year in which the taxable year begins, deter-

1 mined by substituting ‘2017’ for ‘2016’ in sub-
2 paragraph (A)(ii) thereof.

3 “(2) SPECIAL RULE FOR ADJUSTMENT OF
4 CREDIT AMOUNT.—In the case of a taxable year be-
5 ginning after 2028, the \$2,000 amount in subsection
6 (h)(2)(B), shall be increased by an amount equal
7 to—

8 “(A) such dollar amount, multiplied by

9 “(B) the cost-of-living adjustment deter-
10 mined under section 1(f)(3) for the calendar
11 year in which the taxable year begins, deter-
12 mined by substituting ‘2024’ for ‘2016’ in sub-
13 paragraph (A)(ii) thereof.

14 “(3) ROUNDING.—If any increase under this
15 subsection is not a multiple of \$100, such increase
16 shall be rounded to the next lowest multiple of
17 \$100.”.

18 (e) CONFORMING AMENDMENT.—Section 24(h)(5) is
19 amended to read as follows:

20 “(5) MAXIMUM AMOUNT OF REFUNDABLE
21 CREDIT.—The amount determined under subsection
22 (d)(1)(A) with respect to any qualifying child shall
23 not exceed \$1,400, and such subsection shall be ap-
24 plied without regard to paragraph (4) of this sub-
25 section.”.

1 (f) TREATMENT OF CERTAIN BENEFITS OF MEM-
2 BERS OF RELIGIOUS AND APOSTOLIC ASSOCIATIONS AS
3 EARNED INCOME.—Section 24(d)(1) is amended by add-
4 ing at the end the following: “For purposes of subpara-
5 graph (B), any amount treated as a dividend received
6 under the last sentence of section 501(d) shall be treated
7 as earned income which is taken into account in com-
8 puting taxable income for the taxable year.”.

9 (g) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2024.

12 **SEC. 110005. EXTENSION OF DEDUCTION FOR QUALIFIED**
13 **BUSINESS INCOME AND PERMANENT EN-**
14 **HANCEMENT.**

15 (a) MADE PERMANENT.—Section 199A is amended
16 by striking subsection (i).

17 (b) INCREASE IN DEDUCTION.—Subsections (a)(2),
18 (b)(1)(B), and (b)(2)(A) of section 199A are each amend-
19 ed by striking “20 percent” and inserting “23 percent”.

20 (c) MODIFICATION OF LIMITATIONS BASED ON TAX-
21 ABLE INCOME.—

22 (1) IN GENERAL.—Section 199A(b)(3) is
23 amended to read as follows:

1 “(3) MODIFICATION OF DETERMINATION OF
2 COMBINED QUALIFIED BUSINESS INCOME AMOUNT
3 BASED ON TAXABLE INCOME.—

4 “(A) EXCEPTION FROM LIMITATIONS.—In
5 the case of any taxpayer whose taxable income
6 for the taxable year does not exceed the thresh-
7 old amount—

8 “(i) paragraph (2) shall be applied
9 without regard to subparagraph (B), and

10 “(ii) a specified service trade or busi-
11 ness shall not fail to be treated as a quali-
12 fied trade or business solely by reason of
13 subsection (d)(1)(A).

14 “(B) PHASE-IN OF LIMITATIONS.—In the
15 case of any taxpayer whose taxable income for
16 the taxable year exceeds the threshold amount,
17 the sum described in paragraph (1)(A) (deter-
18 mined without regard to this subparagraph)
19 shall instead be an amount (if greater) equal to
20 the excess (if any) of—

21 “(i) the sum described in paragraph
22 (1)(A) (determined by applying the rules of
23 clauses (i) and (ii) of subparagraph (A)),
24 over

25 “(ii) the limitation phase-in amount.

1 “(C) LIMITATION PHASE-IN AMOUNT.—

2 For purposes of subparagraph (B), the limita-
3 tion phase-in amount shall be an amount equal
4 to 75 percent of the excess (if any) of—

5 “(i) the taxable income of the tax-
6 payer for the taxable year, over

7 “(ii) the threshold amount.”.

8 (2) CONFORMING AMENDMENT.—Section
9 199A(d) is amended by striking paragraph (3).

10 (d) DEDUCTION FOR QUALIFIED BUSINESS INCOME
11 TO APPLY TO CERTAIN INTEREST DIVIDENDS OF QUALI-
12 FIED BUSINESS DEVELOPMENT COMPANIES.—

13 (1) IN GENERAL.—Subsections (b)(1)(B) and
14 (c)(1) of section 199A are each amended by insert-
15 ing “, qualified BDC interest dividends,” after
16 “qualified REIT dividends”.

17 (2) QUALIFIED BDC INTEREST DIVIDEND DE-
18 FINED.—Section 199A(e) is amended by adding at
19 the end the following new paragraph:

20 “(5) QUALIFIED BDC INTEREST DIVIDEND.—

21 “(A) IN GENERAL.—The term ‘qualified
22 BDC interest dividend’ means any dividend
23 from an electing business development company
24 received during the taxable year which is attrib-
25 utable to net interest income of such company

1 which is properly allocable to a qualified trade
2 or business of such company.

3 “(B) ELECTING BUSINESS DEVELOPMENT
4 COMPANY.—For purposes of this paragraph, the
5 term ‘electing business development company’
6 means a business development company (as de-
7 fined in section 2(a) of the Investment Com-
8 pany Act of 1940) which has an election in ef-
9 fect under section 851 to be treated as a regu-
10 lated investment company.”.

11 (e) MODIFIED INFLATION ADJUSTMENT.—Section
12 199A(e)(2)(B) is amended—

13 (1) by striking “2018” and inserting “2025”,
14 and

15 (2) in clause (ii), by striking “, determined by
16 substituting ‘calendar year 2017’ for ‘calendar year
17 2016’ in subparagraph (A)(ii) thereof”.

18 (f) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2025.

21 **SEC. 110006. EXTENSION OF INCREASED ESTATE AND GIFT**
22 **TAX EXEMPTION AMOUNTS AND PERMANENT**
23 **ENHANCEMENT.**

24 (a) IN GENERAL.—Section 2010(c)(3) is amended—

1 (1) in subparagraph (A) by striking
2 “\$5,000,000” and inserting “\$15,000,000”,

3 (2) in subparagraph (B)—

4 (A) in the matter preceding clause (i), by
5 striking “2011” and inserting “2026”, and

6 (B) in clause (ii), by striking “calendar
7 year 2010” and inserting “calendar year
8 2025”, and

9 (3) by striking subparagraph (C).

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2025.

13 **SEC. 110007. EXTENSION OF INCREASED ALTERNATIVE MIN-**
14 **IMUM TAX EXEMPTION AND PHASE-OUT**
15 **THRESHOLDS.**

16 (a) IN GENERAL.—Section 55(d)(4) is amended—

17 (1) in subparagraph (A), by striking “, and be-
18 fore January 1, 2026”, and

19 (2) by striking “2018 THROUGH 2025” in the
20 heading and inserting “BEGINNING AFTER 2017”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2025.

1 **SEC. 110008. EXTENSION OF LIMITATION ON DEDUCTION**
2 **FOR QUALIFIED RESIDENCE INTEREST.**

3 (a) IN GENERAL.—Section 163(h)(3)(F) is amend-
4 ed—

5 (1) in clause (i), by striking “, and before Jan-
6 uary 1, 2026”,

7 (2) by striking clause (ii) and redesignating
8 clauses (iii) and (iv) as clauses (ii) and (iii), respec-
9 tively, and

10 (3) by striking “2018 THROUGH 2025” in the
11 heading and inserting “BEGINNING AFTER 2017”.

12 (b) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2025.

15 **SEC. 110009. EXTENSION OF LIMITATION ON CASUALTY**
16 **LOSS DEDUCTION.**

17 (a) IN GENERAL.—Section 165(h)(5) is amended—

18 (1) in subparagraph (A), by striking “and be-
19 fore January 1, 2026,” and

20 (2) by striking “2018 THROUGH 2025” in the
21 heading and inserting “BEGINNING AFTER 2017”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2025.

1 **SEC. 110010. TERMINATION OF MISCELLANEOUS ITEMIZED**
2 **DEDUCTION.**

3 (a) IN GENERAL.—Section 67(g) is amended—

4 (1) by striking “, and before January 1, 2026”,

5 and

6 (2) by striking “2018 THROUGH 2025” and in
7 the heading inserting “BEGINNING AFTER 2017”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2025.

11 **SEC. 110011. LIMITATION ON TAX BENEFIT OF ITEMIZED**
12 **DEDUCTIONS.**

13 (a) IN GENERAL.—Section 68 is amended to read as
14 follows:

15 **“SEC. 68. LIMITATION ON TAX BENEFIT OF ITEMIZED DE-**
16 **DUCTIONS.**

17 “(a) IN GENERAL.—In the case of an individual, the
18 amount of the itemized deductions otherwise allowable for
19 the taxable year (determined without regard to this sec-
20 tion) shall be reduced by 2/37 of the lesser of—

21 “(1) such amount of itemized deductions, or

22 “(2) so much of the taxable income of the tax-
23 payer for the taxable year (determined without re-
24 gard to this section and increased by such amount
25 of itemized deductions) as exceeds the dollar amount

1 at which the 37 percent rate bracket under section
2 1 begins with respect to the taxpayer.

3 “(b) COORDINATION WITH OTHER LIMITATIONS.—
4 This section shall be applied after the application of any
5 other limitation on the allowance of any itemized deduc-
6 tion.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to taxable years beginning after
9 December 31, 2025.

10 **SEC. 110012. TERMINATION OF QUALIFIED BICYCLE COM-**
11 **MUTING REIMBURSEMENT EXCLUSION.**

12 (a) IN GENERAL.—Section 132(f)(8) is amended by
13 striking “, and before January 1, 2026”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall apply to taxable years beginning after
16 December 31, 2025.

17 **SEC. 110013. EXTENSION OF LIMITATION ON EXCLUSION**
18 **AND DEDUCTION FOR MOVING EXPENSES.**

19 (a) TERMINATION OF DEDUCTION.—Section 217(k)
20 is amended—

21 (1) by striking “, and before January 1, 2026”,

22 and

23 (2) by striking “2018 THROUGH 2025” in the
24 heading and inserting “BEGINNING AFTER 2017”.

1 (b) TERMINATION OF REIMBURSEMENT.—Section
2 132(g)(2) is amended—

3 (1) by striking “, and before January 1, 2026”,
4 and

5 (2) by striking “2018 THROUGH 2025” in the
6 heading and inserting “BEGINNING AFTER 2017”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2025.

10 **SEC. 110014. EXTENSION OF LIMITATION ON WAGERING**
11 **LOSSES.**

12 (a) IN GENERAL.—Section 165(d) is amended by
13 striking “and before January 1, 2026,”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall apply to taxable years beginning after
16 December 31, 2025.

17 **SEC. 110015. EXTENSION OF INCREASED LIMITATION ON**
18 **CONTRIBUTIONS TO ABLE ACCOUNTS AND**
19 **PERMANENT ENHANCEMENT.**

20 (a) IN GENERAL.—Section 529A(b)(2)(B) is amend-
21 ed—

22 (1) in clause (i), by inserting “(determined by
23 substituting ‘1996’ for ‘1997’ in paragraph (2)(B)
24 thereof)” after “section 2503(b)”, and

1 (2) in clause (ii), by striking “before January
2 1, 2026”.

3 (b) EFFECTIVE DATE.—

4 (1) IN GENERAL.—Except as otherwise pro-
5 vided in this subsection, the amendments made by
6 this section shall apply to contributions made after
7 December 31, 2025.

8 (2) MODIFIED INFLATION ADJUSTMENT.—The
9 amendment made by subsection (a)(1) shall apply to
10 taxable years beginning after December 31, 2025.

11 **SEC. 110016. EXTENSION OF SAVERS CREDIT ALLOWED FOR**
12 **ABLE CONTRIBUTIONS.**

13 (a) IN GENERAL.—Section 25B(d)(1) is amended to
14 read as follows:

15 “(1) IN GENERAL.—The term ‘qualified retire-
16 ment savings contributions’ means, with respect to
17 any taxable year, the sum of—

18 “(A) the amount of contributions made by
19 the eligible individual during such taxable year
20 to the ABLE account (within the meaning of
21 section 529A) of which such individual is the
22 designated beneficiary, and

23 “(B) in the case of any taxable year begin-
24 ning before January 1, 2027—

1 “(i) the amount of the qualified retire-
2 ment contributions (as defined in section
3 219(e)) made by the eligible individual,

4 “(ii) the amount of—

5 “(I) any elective deferrals (as de-
6 fined in section 402(g)(3)) of such in-
7 dividual, and

8 “(II) any elective deferral of com-
9 pensation by such individual under an
10 eligible deferred compensation plan
11 (as defined in section 457(b)) of an
12 eligible employer described in section
13 457(e)(1)(A), and

14 “(iii) the amount of voluntary em-
15 ployee contributions by such individual to
16 any qualified retirement plan (as defined
17 in section 4974(c)).”.

18 (b) COORDINATION WITH SECURE 2.0 ACT OF
19 2022 AMENDMENT.—Paragraph (1) of section 103(e) of
20 the SECURE 2.0 Act of 2022 is repealed, and the Inter-
21 nal Revenue Code of 1986 shall be applied and adminis-
22 tered as though such paragraph were never enacted.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years ending after De-
25 cember 31, 2025.

1 **SEC. 110017. EXTENSION OF ROLLOVERS FROM QUALIFIED**
2 **TUITION PROGRAMS TO ABLE ACCOUNTS**
3 **PERMITTED.**

4 (a) IN GENERAL.—Section 529(e)(3)(C)(i)(III) is
5 amended by striking “before January 1, 2026,”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to taxable years beginning after
8 December 31, 2025.

9 **SEC. 110018. EXTENSION OF TREATMENT OF CERTAIN INDI-**
10 **VIDUALS PERFORMING SERVICES IN THE**
11 **SINAI PENINSULA AND ENHANCEMENT TO IN-**
12 **CLUDE ADDITIONAL AREAS.**

13 (a) TREATMENT MADE PERMANENT.—Section
14 11026(a) of Public Law 115–97 is amended by striking
15 “with respect to the applicable period,”.

16 (b) KENYA, MALI, BURKINA FASO, AND CHAD IN-
17 CLUDED AS HAZARDOUS DUTY AREAS.—Section
18 11026(b) of Public Law 115–97 is amended to read as
19 follows:

20 “(b) QUALIFIED HAZARDOUS DUTY AREA.—For
21 purposes of this section, the term ‘qualified hazardous
22 duty area’ means—

23 “(1) the Sinai Peninsula of Egypt, if as of De-
24 cember, 22, 2017, any member of the Armed Forces
25 of the United States is entitled to special pay under
26 section 310 of title 37, United States Code (relating

1 to special pay; duty subject to hostile fire or immi-
2 nent danger), for services performed in such loca-
3 tion, and

4 “(2) Kenya, Mali, Burkina Faso, and Chad if,
5 as of the date of the enactment of this paragraph,
6 any member of the Armed Forces of the United
7 States is entitled to special pay under such section,
8 for services performed in such location.

9 Such term includes any such location only during the pe-
10 riod such entitlement is in effect with respect to such loca-
11 tion.”.

12 (c) CONFORMING AMENDMENT.—Section 11026 of
13 Public Law 115–97 is amended by striking subsections (c)
14 and (d).

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall take effect on January 1, 2026.

17 **SEC. 110019. EXTENSION OF EXCLUSION FROM GROSS IN-**
18 **COME OF STUDENT LOANS DISCHARGED ON**
19 **ACCOUNT OF DEATH OR DISABILITY.**

20 (a) IN GENERAL.—Section 108(f)(5) is amended to
21 read as follows:

22 “(5) DISCHARGES ON ACCOUNT OF DEATH OR
23 DISABILITY.—

24 “(A) IN GENERAL.—In the case of an indi-
25 vidual, gross income does not include any

1 amount which (but for this subsection) would
2 be includible in gross income for such taxable
3 year by reason of the discharge (in whole or in
4 part) of any loan described in subparagraph
5 (B), if such discharge was—

6 “(i) pursuant to subsection (a) or (d)
7 of section 437 of the Higher Education
8 Act of 1965 or the parallel benefit under
9 part D of title IV of such Act (relating to
10 the repayment of loan liability),

11 “(ii) pursuant to section 464(c)(1)(F)
12 of such Act, or

13 “(iii) otherwise discharged on account
14 of death or total and permanent disability
15 of the student.

16 “(B) LOANS DISCHARGED.—A loan is de-
17 scribed in this subparagraph if such loan is—

18 “(i) a student loan (as defined in
19 paragraph (2)), or

20 “(ii) a private education loan (as de-
21 fined in section 140(a) of the Consumer
22 Credit Protection Act (15 U.S.C. 1650(a)).

23 “(C) SOCIAL SECURITY NUMBER REQUIRE-
24 MENT.—

1 “(i) IN GENERAL.—Subparagraph (A)
2 shall not apply with respect to any dis-
3 charge during any taxable year unless the
4 taxpayer includes on the return of tax for
5 such taxable year—

6 “(I) the taxpayer’s social security
7 number, and

8 “(II) if the taxpayer is married,
9 the social security number of such
10 taxpayers’s spouse.

11 “(ii) SOCIAL SECURITY NUMBER.—
12 For purposes of this subparagraph, the
13 term ‘social security number’ has the
14 meaning given such term in section
15 24(h)(7).

16 “(iii) MARRIED INDIVIDUALS.—Rules
17 similar to the rules of section 32(d) shall
18 apply to this subparagraph.”.

19 (b) OMISSION OF CORRECT SOCIAL SECURITY NUM-
20 BER TREATED AS MATHEMATICAL OR CLERICAL
21 ERROR.—Section 6213(g)(2) is amended by striking
22 “and” at the end of subparagraph (U), by striking the
23 period at the end of subparagraph (V) and inserting “,
24 and”, and by inserting after subparagraph (V) the fol-
25 lowing new subparagraph:

1 “(W) an omission of a correct social secu-
2 rity number required under section
3 108(f)(5)(C) (relating to discharges on account
4 of death or disability).”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to discharges after December 31,
7 2025.

8 **PART 2—ADDITIONAL TAX RELIEF FOR**
9 **AMERICAN FAMILIES AND WORKERS**

10 **SEC. 110101. NO TAX ON TIPS.**

11 (a) DEDUCTION ALLOWED.—Part VII of subchapter
12 B of chapter 1 is amended by redesignating section 224
13 as section 225 and by inserting after section 223 the fol-
14 lowing new section:

15 **“SEC. 224. QUALIFIED TIPS.**

16 “(a) IN GENERAL.—There shall be allowed as a de-
17 duction an amount equal to the qualified tips received dur-
18 ing the taxable year that are included on statements fur-
19 nished to the individual pursuant to section 6041(d)(3),
20 6041A(e)(3), 6050W(f)(2), 6051(a)(18), or reported by
21 the taxpayer on Form 4137 (or successor).

22 “(b) TIPS RECEIVED IN COURSE OF TRADE OR BUSI-
23 NESS.—In the case of qualified tips received by an indi-
24 vidual during any taxable year in the course of any trade
25 or business of such individual, such qualified tips shall be

1 taken into account under subsection (a) only to the extent
2 that the gross receipts of the taxpayer from such trade
3 or business for such taxable year (including such qualified
4 tips) exceeds the sum of—

5 “(1) cost of goods sold that are allocable to
6 such receipts, plus

7 “(2) other expenses, losses, or deductions (other
8 than the deduction allowed under this section),
9 which are properly allocable to such receipts.

10 “(c) QUALIFIED TIPS.—For purposes of this sec-
11 tion—

12 “(1) IN GENERAL.—The term ‘qualified tip’
13 means any cash tip received by an individual in an
14 occupation which traditionally and customarily re-
15 ceived tips on or before December 31, 2024, as pro-
16 vided by the Secretary.

17 “(2) EXCLUSIONS.—Such term shall not in-
18 clude any amount received by an individual unless—

19 “(A) such amount is paid voluntarily with-
20 out any consequence in the event of non-
21 payment, is not the subject of negotiation, and
22 is determined by the payor,

23 “(B) the trade or business in the course of
24 which the individual receives such amount is

1 not a specified service trade or business (as de-
2 fined in section 199A(d)(2)),

3 “(C) such individual is not a highly com-
4 pensated employee (as defined in section
5 414(q)(1)) of any employer for the calendar
6 year in which the taxable year begins, and does
7 not receive earned income in excess of the dollar
8 amount in effect under section 414(q)(1)(B)(i)
9 for such calendar year, and

10 “(D) such other requirements as may be
11 established by the Secretary in regulations or
12 other guidance are satisfied.

13 “(d) SOCIAL SECURITY NUMBER REQUIRED.—

14 “(1) IN GENERAL.—No deduction shall be al-
15 lowed under this section unless the taxpayer includes
16 on the return of tax for the taxable year—

17 “(A) such individual’s social security num-
18 ber (as defined in section 24(h)(7)), and

19 “(B) if the individual is married, the social
20 security number of such individual’s spouse.

21 “(2) MARRIED INDIVIDUALS.—Rules similar to
22 the rules of section 32(d) shall apply to this section.

23 “(e) REGULATIONS.—The Secretary shall prescribe
24 such regulations or other guidance as may be necessary
25 to prevent reclassification of income as qualified tips, in-

1 cluding regulations or other guidance to prevent abuse of
2 the deduction allowed by this section.

3 “(f) TERMINATION.—No deduction shall be allowed
4 under this section for any taxable year beginning after De-
5 cember 31, 2028.”.

6 (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—
7 Section 63(b) is amended by striking “and” at the end
8 of paragraph (3), by striking the period at the end of para-
9 graph (4) and inserting “and”, and by adding at the end
10 the following new paragraph:

11 “(5) the deduction provided in section 224.”.

12 (c) OMISSION OF CORRECT SOCIAL SECURITY NUM-
13 BER TREATED AS MATHEMATICAL OR CLERICAL
14 ERROR.—Section 6213(g)(2), as amended by the pre-
15 ceding provisions of this Act, is amended by striking
16 “and” at the end of subparagraph (V), by striking the
17 period at the end of subparagraph (W) and inserting “,
18 and”, and by inserting after subparagraph (W) the fol-
19 lowing new subparagraph:

20 “(X) an omission of a correct social secu-
21 rity number required under section 224(d) (re-
22 lating to deduction for qualified tips).”.

23 (d) EXCLUSION FROM QUALIFIED BUSINESS IN-
24 COME.—Section 199A(c)(4) is amended by striking “and”
25 at the end of subparagraph (B), by striking the period

1 at the end of subparagraph (C) and inserting “, and”, and
2 by adding at the end the following new subparagraph:

3 “(D) any amount with respect to which a
4 deduction is allowable to the taxpayer under
5 section 224(a) for the taxable year.”.

6 (e) EXTENSION OF TIP CREDIT TO BEAUTY SERVICE
7 BUSINESS.—Section 45B(b)(2) is amended to read as fol-
8 lows:

9 (1) IN GENERAL.—

10 “(2) APPLICATION ONLY TO CERTAIN LINES OF
11 BUSINESS.—In applying paragraph (1) there shall
12 be taken into account only tips received from cus-
13 tomers or clients in connection with the following
14 services:

15 “(A) The providing, delivering, or serving
16 of food or beverages for consumption, if the tip-
17 ping of employees delivering or serving food or
18 beverages by customers is customary.

19 “(B) The providing of any of the following
20 services to a customer or client if the tipping of
21 employees providing such services is customary:

22 “(i) Barbering and hair care.

23 “(ii) Nail care.

24 “(iii) Esthetics.

25 “(iv) Body and spa treatments.”.

1 (2) CREDIT DETERMINED WITH RESPECT TO
2 MINIMUM WAGE IN EFFECT.—Section 45B(b)(1)(B)
3 is amended—

4 (A) by striking “as in effect on January 1,
5 2007, and”, and

6 (B) by inserting “, and in the case of food
7 or beverage establishments, as in effect on Jan-
8 uary 1, 2007” after “without regard to section
9 3(m) of such Act”.

10 (f) REPORTING REQUIREMENTS.—

11 (1) RETURNS FOR PAYMENTS MADE IN THE
12 COURSE OF A TRADE OR BUSINESS.—

13 (A) STATEMENT FURNISHED TO SEC-
14 RETARY.— Section 6041(a) is amended by in-
15 serting “(including a separate accounting of
16 any such amounts properly designated as tips
17 and whether such tips are received in an occu-
18 pation described in section 224(c)(1))” after
19 “such gains, profits, and income”.

20 (B) STATEMENT FURNISHED TO PAYEE.—
21 Section 6041(d) is amended by striking “and”
22 at the end of paragraph (1), by striking the pe-
23 riod at the end of paragraph (2) and inserting
24 “, and”, and by inserting after paragraph (2)
25 the following new paragraph:

1 “(3) in the case of compensation to non-employ-
2 ees, the portion of payments that have been properly
3 designated as tips and whether such tips are re-
4 ceived in an occupation described in section
5 224(c)(1).”.

6 (2) RETURNS FOR PAYMENTS MADE FOR SERV-
7 ICES AND DIRECT SALES.—

8 (A) STATEMENT FURNISHED TO SEC-
9 RETARY.— Section 6041A(a) is amended by in-
10 serting “(including a separate accounting of
11 any such amounts properly designated as tips
12 and whether such tips are received in an occu-
13 pation described in section 224(c)(1))” after
14 “amount of such payments”.

15 (B) STATEMENT FURNISHED TO PAYEE.—
16 Section 6041A(e) is amended by striking “and”
17 at the end of paragraph (1), by striking the pe-
18 riod at the end of paragraph (2) and inserting
19 “, and”, and by inserting after paragraph (2)
20 the following new paragraph:

21 “(3) the portion of payments that have been
22 properly designated as tips and whether such tips
23 are received in an occupation described in section
24 224(c)(1).”.

1 (3) RETURNS RELATING TO THIRD PARTY SET-
2 TLEMENT ORGANIZATIONS.—

3 (A) STATEMENT FURNISHED TO SEC-
4 RETARY.—Section 6050W(a) is amended by
5 striking “and” at the end of paragraph (1), by
6 striking the period at the end of paragraph (2)
7 and inserting “and”, and by adding at the end
8 the following new paragraph:

9 “(3) in the case of a third party settlement or-
10 ganization, the portion of reportable payment trans-
11 actions that have been properly designated by payors
12 as tips and whether such tips are received in an oc-
13 cupation described in section 224(c)(1).”.

14 (B) STATEMENT FURNISHED TO PAYEE.—
15 Section 6050W(f)(2) is amended by inserting
16 “(including a separate accounting of any such
17 amounts that have been properly designated by
18 payors as tips and whether such tips are re-
19 ceived in an occupation described in section
20 224(c)(1))” after “reportable payment trans-
21 actions”.

22 (4) RETURNS RELATED TO WAGES.—Section
23 6051(a) is amended by striking “and” at the end of
24 paragraph (16), by striking the period at the end of
25 paragraph (17) and inserting “, and”, and by insert-

1 ing after paragraph (17) the following new para-
2 graph:

3 “(18) the total amount of tips reported by the
4 employee under section 6053(a).”.

5 (g) CLERICAL AMENDMENT.—The table of sections
6 for part VII of subchapter B of chapter 1 is amended by
7 redesignating the item relating to section 224 as relating
8 to section 225 and by inserting after the item relating to
9 section 223 the following new item:

 “Sec. 224. Qualified tips.”.

10 (h) PUBLISHED LIST OF OCCUPATIONS TRADITION-
11 ALLY RECEIVING TIPS.—Not later than 90 days after the
12 date of the enactment of this Act, the Secretary of the
13 Treasury (or the Secretary’s delegate) shall publish a list
14 of occupations which traditionally and customarily re-
15 ceived tips on or before December 31, 2024, for purposes
16 of section 224(c)(1) (as added by subsection (a)).

17 (i) WITHHOLDING.—The Secretary of the Treasury
18 (or the Secretary’s delegate) shall modify the tables and
19 procedures prescribed under section 3402(a) to take into
20 account the deduction allowed under section 224 (as added
21 by this Act).

22 (j) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2024.

1 **SEC. 110102. NO TAX ON OVERTIME.**

2 (a) DEDUCTION ALLOWED.—Part VII of subchapter
3 B of chapter 1, as amended by the preceding provisions
4 of this Act, is amended by redesignating section 225 as
5 section 226 and by inserting after section 224 the fol-
6 lowing new section:

7 **“SEC. 225. QUALIFIED OVERTIME COMPENSATION.**

8 “(a) IN GENERAL.—There shall be allowed as a de-
9 duction an amount equal to the qualified overtime com-
10 pensation received during the taxable year.

11 “(b) QUALIFIED OVERTIME COMPENSATION.—

12 “(1) IN GENERAL.—For purposes of this sec-
13 tion, the term ‘qualified overtime compensation’
14 means overtime compensation paid to an individual
15 required under section 7 of the Fair Labor Stand-
16 ards Act of 1938 that is in excess of the regular rate
17 (as used in such section) at which such individual is
18 employed.

19 “(2) EXCLUSIONS.—Such term shall not in-
20 clude—

21 “(A) any qualified tip (as defined in sec-
22 tion 224(c)), or

23 “(B) any amount received by an individual
24 during a taxable year if such individual is a
25 highly compensated employee (as defined in sec-
26 tion 414(q)(1)) of any employer for the cal-

1 endar year in which the taxable year begins, or
2 receives earned income in excess of the dollar
3 amount in effect under section 414(q)(1)(B)(i)
4 for such calendar year.

5 “(c) SOCIAL SECURITY NUMBER REQUIRED.—

6 “(1) IN GENERAL.—No deduction shall be al-
7 lowed under this section unless the taxpayer includes
8 on the return of tax for the taxable year—

9 “(A) such individual’s social security num-
10 ber (as defined in section 24(h)(7)), and

11 “(B) if the individual is married, the social
12 security number of such individual’s spouse.

13 “(2) MARRIED INDIVIDUALS.—Rules similar to
14 the rules of section 32(d) shall apply to this section.

15 “(d) REGULATIONS.—The Secretary shall issue such
16 regulations or other guidance as may be necessary or ap-
17 propriate to carry out the purposes of this section.

18 “(e) TERMINATION.—No deduction shall be allowed
19 under this section for any taxable year beginning after De-
20 cember 31, 2028.”.

21 (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—
22 Section 63(b), as amended by the preceding provisions of
23 this Act, is amended by striking “and” at the end of para-
24 graph (4), by striking the period at the end of paragraph

1 (5) and inserting “and”, and by adding at the end the
2 following new paragraph:

3 “(6) the deduction provided in section 225.”.

4 (c) REQUIREMENT TO INCLUDE OVERTIME COM-
5 PENSATION ON W-2.—Section 6051(a), as amended by the
6 preceding provision of this Act, is amended by striking
7 “and” at the end of paragraph (17), by striking the period
8 at the end of paragraph (18) and inserting “, and”, and
9 by inserting after paragraph (18) the following new para-
10 graph:

11 “(19) the total amount of qualified overtime
12 compensation (as defined in section 225(b)).”.

13 (d) OMISSION OF CORRECT SOCIAL SECURITY NUM-
14 BER TREATED AS MATHEMATICAL OR CLERICAL
15 ERROR.—Section 6213(g)(2), as amended by the pre-
16 ceding provisions of this Act, is amended by striking
17 “and” at the end of subparagraph (W), by striking the
18 period at the end of subparagraph (X) and inserting “,
19 and”, and by inserting after subparagraph (X) the fol-
20 lowing new subparagraph:

21 “(Y) an omission of a correct social secu-
22 rity number required under section 225(c) (re-
23 lating to deduction for qualified overtime).”.

24 (e) CLERICAL AMENDMENT.—The table of sections
25 for part VII of subchapter B of chapter 1, as amended

1 by the preceding provisions of this Act, is amended by re-
2 designating the item relating to section 225 as an item
3 relating to section 226 and by inserting after the item re-
4 lating to section 224 the following new item:

“Sec. 225. Qualified overtime compensation.”.

5 (f) WITHHOLDING.—The Secretary of the Treasury
6 (or the Secretary’s delegate) shall modify the tables and
7 procedures prescribed under section 3402(a) to take into
8 account the deduction allowed under section 225 (as added
9 by this Act).

10 (g) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2024.

13 **SEC. 110103. ENHANCED DEDUCTION FOR SENIORS.**

14 (a) IN GENERAL.—Section 63(f) is amended by add-
15 ing at the end the following new paragraph:

16 “(5) BONUS ADDITIONAL AMOUNT FOR SEN-
17 IORS.—

18 “(A) IN GENERAL.—In the case of any
19 taxable year beginning after December 31,
20 2024, and before January 1, 2029, the dollar
21 amount in effect under paragraph (1) shall be
22 increased by \$4,000.

23 “(B) LIMITATION BASED ON MODIFIED
24 ADJUSTED GROSS INCOME.—In the case of any
25 taxpayer for any taxable year, the \$4,000

1 amount in subparagraph(A) shall be reduced
2 (but not below zero) by 4 percent of so much
3 of the taxpayer's modified adjusted gross in-
4 come as exceeds \$75,000 (\$150,000 in the case
5 of a joint return).

6 “(C) MODIFIED ADJUSTED GROSS IN-
7 COME.—For purposes of this paragraph, the
8 term ‘modified adjusted gross income’ means
9 the adjusted gross income of the taxpayer for
10 the taxable year increased by any amount ex-
11 cluded from gross income under section 911,
12 931, or 933.

13 “(D) SOCIAL SECURITY NUMBER RE-
14 QUIRED.—

15 “(i) IN GENERAL.—Subparagraph (A)
16 shall not apply unless the taxpayer in-
17 cludes on the return of tax for the taxable
18 year—

19 “(I) such individual's social secu-
20 rity number (as defined in section
21 24(h)(7)), and

22 “(II) if the individual is married,
23 the social security number of such in-
24 dividual's spouse.

1 “(ii) MARRIED INDIVIDUALS.—Rules
2 similar to the rules of section 32(d) shall
3 apply to this section.

4 “(E) COORDINATION WITH INFLATION AD-
5 JUSTMENT.—Subsection (c)(4) shall not apply
6 to any dollar amount contained in this para-
7 graph.

8 “(F) ALLOWANCE TO SENIORS WHO ELECT
9 TO ITEMIZE.—In the case of a taxpayer who
10 elects to itemize deductions for any taxable year
11 beginning after December 31, 2024, and before
12 January 1, 2029, there shall be allowed as a de-
13 duction the aggregate increase which would be
14 determined under subparagraph (A) (deter-
15 mined after the application of subparagraphs
16 (B), (D), and (E)) with respect to such tax-
17 payer for such taxable year if such taxpayer did
18 not so elect to itemize deductions for such tax-
19 able year.”.

20 (b) OMISSION OF CORRECT SOCIAL SECURITY NUM-
21 BER TREATED AS MATHEMATICAL OR CLERICAL
22 ERROR.—Section 6213(g)(2), as amended by the pre-
23 ceding provisions of this Act, is amended by striking
24 “and” at the end of subparagraph (X), by striking the
25 period at the end of subparagraph (Y) and inserting “,

1 and”, and by inserting after subparagraph (Y) the fol-
2 lowing new subparagraph:

3 “(Z) an omission of a correct social secu-
4 rity number required under section 63(f)(5)(D)
5 (relating to bonus additional amount for sen-
6 iors).”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2024.

10 **SEC. 110104. NO TAX ON CAR LOAN INTEREST.**

11 (a) IN GENERAL.—Section 163(h) is amended by re-
12 designating paragraph (4) as paragraph (5) and by insert-
13 ing after paragraph (3) the following new paragraph:

14 “(4) SPECIAL RULES FOR TAXABLE YEARS
15 2024 THROUGH 2028 RELATING TO QUALIFIED PAS-
16 Senger VEHICLE LOAN INTEREST.—

17 “(A) IN GENERAL.—In the case of taxable
18 years beginning after December 31, 2024, and
19 before January 1, 2029, for purposes of this
20 subsection the term ‘personal interest’ shall not
21 include qualified passenger vehicle loan interest.

22 “(B) QUALIFIED PASSENGER VEHICLE
23 LOAN INTEREST DEFINED.—

24 “(i) IN GENERAL.—For purposes of
25 this paragraph, the term ‘qualified pas-

1 senger vehicle loan interest’ means any in-
2 terest which is paid or accrued during the
3 taxable year on indebtedness incurred by
4 the taxpayer after December 31, 2024, for
5 the purchase of, and that is secured by a
6 first lien on, an applicable passenger vehi-
7 cle for personal use.

8 “(ii) EXCEPTIONS.—Such term shall
9 not include any amount paid or incurred
10 on any of the following:

11 “(I) A loan to finance fleet sales.

12 “(II) A personal cash loan se-
13 cured by a vehicle previously pur-
14 chased by the taxpayer.

15 “(III) A loan incurred for the
16 purchase of a commercial vehicle that
17 is not used for personal purposes.

18 “(IV) Any lease financing.

19 “(V) A loan to finance the pur-
20 chase of a vehicle with a salvage title.

21 “(VI) A loan to finance the pur-
22 chase of a vehicle intended to be used
23 for scrap or parts.

24 “(C) LIMITATIONS.—

1 “(i) DOLLAR LIMIT.—The amount of
2 interest taken into account by a taxpayer
3 under subparagraph (B) for any taxable
4 year shall not exceed \$10,000.

5 “(ii) LIMITATION BASED ON MODI-
6 FIED ADJUSTED GROSS INCOME.—

7 “(I) IN GENERAL.—The amount
8 which is otherwise allowable as a de-
9 duction under subsection (a) as quali-
10 fied passenger vehicle loan interest
11 (determined without regard to this
12 clause and after the application of
13 clause (i)) shall be reduced (but not
14 below zero) by \$200 for each \$1,000
15 (or portion thereof) by which the
16 modified adjusted gross income of the
17 taxpayer for the taxable year exceeds
18 \$100,000 (\$200,000 in the case of a
19 joint return).

20 “(II) MODIFIED ADJUSTED
21 GROSS INCOME.—For purposes of this
22 clause, the term ‘modified adjusted
23 gross income’ means the adjusted
24 gross income of the taxpayer for the
25 taxable year increased by any amount

1 excluded from gross income under sec-
2 tion 911, 931, or 933.

3 “(D) APPLICABLE PASSENGER VEHICLE.—

4 The term ‘applicable passenger vehicle’ means
5 any vehicle—

6 “(i)(I) which is manufactured pri-
7 marily for use on public streets, roads, and
8 highways,

9 “(II) which has at least 2 wheels, and

10 “(III) which is a car, minivan, van,
11 sport utility vehicle, pickup truck, or mo-
12 torcycle,

13 “(ii) which is an all-terrain vehicle
14 (designed for use on land), or

15 “(iii) any trailer, camper, or vehicle
16 (designed for use on land) which—

17 “(I) is designed to provide tem-
18 porary living quarters for recreational,
19 camping, or seasonal use, and

20 “(II) is a motor vehicle or is de-
21 signed to be towed by, or affixed to,
22 a motor vehicle.

23 Such term shall not include any vehicle the
24 final assembly of which did not occur within the
25 United States.

1 “(E) OTHER DEFINITIONS AND SPECIAL
2 RULES.—For purposes of this paragraph—

3 “(i) ALL-TERRAIN VEHICLE.—The
4 term ‘all-terrain vehicle’ means any motor-
5 ized vehicle which has 3 or 4 wheels, a seat
6 designed to be straddled by the operator,
7 and handlebars for steering control.

8 “(ii) FINAL ASSEMBLY.—For pur-
9 poses of subparagraph (D), the term ‘final
10 assembly’ means the process by which a
11 manufacturer produces a vehicle at, or
12 through the use of, a plant, factory, or
13 other place from which the vehicle is deliv-
14 ered to a dealer or importer with all com-
15 ponent parts necessary for the mechanical
16 operation of the vehicle included with the
17 vehicle, whether or not the component
18 parts are permanently installed in or on
19 the vehicle.

20 “(iii) TREATMENT OF REFI-
21 NANCING.—Indebtedness described in sub-
22 paragraph (B) shall include indebtedness
23 that results from refinancing any indebted-
24 ness described in such subparagraph, and
25 that is secured by a first lien on the appli-

1 cable passenger vehicle with respect to
2 which the refinanced indebtedness was in-
3 curred, but only to the extent the amount
4 of such resulting indebtedness does not ex-
5 ceed the amount of such refinanced indebt-
6 edness.

7 “(iv) RELATED PARTIES.—Indebted-
8 ness described in subparagraph (B) shall
9 not include any indebtedness owed to a
10 person who is related (within the meaning
11 of section 267(b) or 707(b)(1)) to the tax-
12 payer.”.

13 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
14 PAYER ITEMIZES.—Section 62(a) is amended by inserting
15 after paragraph (21) the following new paragraph:

16 “(22) QUALIFIED PASSENGER VEHICLE LOAN
17 INTEREST.—So much of the deduction allowed by
18 section 163(a) as is attributable to the exception
19 under section 163(h)(4)(A).”.

20 (c) REPORTING.—Subpart B of part III of sub-
21 chapter A of chapter 61 is amended by adding at the end
22 the following new section:

1 **“SEC. 6050AA. RETURNS RELATING TO APPLICABLE PAS-**
2 **SENGER VEHICLE LOAN INTEREST RECEIVED**
3 **IN TRADE OR BUSINESS FROM INDIVIDUALS.**

4 “(a) IN GENERAL.—Any person—

5 “(1) who is engaged in a trade or business, and

6 “(2) who, in the course of such trade or busi-
7 ness, receives from any individual interest aggre-
8 gating \$600 or more for any calendar year on a
9 specified passenger vehicle loan,

10 shall make the return described in subsection (b) with re-
11 spect to each individual from whom such interest was re-
12 ceived at such time as the Secretary may provide.

13 “(b) FORM AND MANNER OF RETURNS.—A return
14 is described in this subsection if such return—

15 “(1) is in such form as the Secretary may pre-
16 scribe, and

17 “(2) contains—

18 “(A) the name and address of the indi-
19 vidual from whom the interest described in sub-
20 section (a)(2) was received,

21 “(B) the amount of such interest received
22 for the calendar year,

23 “(C) the amount of outstanding principal
24 on the specified passenger vehicle loan as of the
25 beginning of such calendar year,

1 “(D) the date of the origination of such
2 loan,

3 “(E) the year, make, and model of the ap-
4 plicable passenger vehicle which secures such
5 loan (or such other description of such vehicle
6 as the Secretary may prescribe), and

7 “(F) such other information as the Sec-
8 retary may prescribe.

9 “(c) STATEMENTS TO BE FURNISHED TO INDIVID-
10 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
11 QUIRED.—Every person required to make a return under
12 subsection (a) shall furnish to each individual whose name
13 is required to be set forth in such return a written state-
14 ment showing—

15 “(1) the name, address, and phone number of
16 the information contact of the person required to
17 make such return, and

18 “(2) the information described in subpara-
19 graphs (B), (C), (D), and (E) of subsection (b)(2)
20 with respect to such individual (and such informa-
21 tion as is described in subsection (b)(2)(F) with re-
22 spect to such individual as the Secretary may pro-
23 vide for purposes of this subsection).

24 The written statement required under the preceding sen-
25 tence shall be furnished on or before January 31 of the

1 year following the calendar year for which the return
2 under subsection (a) was required to be made.

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

4 “(1) IN GENERAL.—Terms used in this section
5 which are also used in paragraph (4) of section
6 163(h) shall have the same meaning as when used
7 in such paragraph.

8 “(2) SPECIFIED PASSENGER VEHICLE LOAN.—

9 The term ‘specified passenger vehicle loan’ means
10 the indebtedness described in section 163(h)(4)(B)
11 with respect to any applicable passenger vehicle.

12 “(e) REGULATIONS.—The Secretary shall issue such
13 regulations or other guidance as may be necessary or ap-
14 propriate to carry out the purposes of this section, includ-
15 ing regulations or other guidance to prevent the duplicate
16 reporting of information under this section.”.

17 (d) CONFORMING AMENDMENTS.—

18 (1) Section 56(e)(1)(B) is amended by striking
19 “section 163(h)(4)” and inserting “section
20 163(h)(5)”.

21 (2) The table of sections for subpart B of part
22 III of subchapter A of chapter 61 is amended by
23 adding at the end the following new item:

“Sec. 6050AA. Returns relating to applicable passenger vehicle loan interest re-
ceived in trade or business from individuals.”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to indebtedness incurred after De-
3 cember 31, 2024.

4 **SEC. 110105. ENHANCEMENT OF EMPLOYER-PROVIDED**
5 **CHILD CARE CREDIT.**

6 (a) INCREASE OF AMOUNT OF QUALIFIED CHILD
7 CARE EXPENDITURES TAKEN INTO ACCOUNT.—Section
8 45F(a)(1) is amended by striking “25 percent” and in-
9 serting “40 percent (50 percent in the case of an eligible
10 small business)”.

11 (b) INCREASE OF MAXIMUM CREDIT AMOUNT.—Sub-
12 section (b) of section 45F is amended to read as follows:

13 “(b) DOLLAR LIMITATION.—

14 “(1) IN GENERAL.—The credit allowable under
15 subsection (a) for any taxable year shall not exceed
16 \$500,000 (\$600,000 in the case of an eligible small
17 business).

18 “(2) INFLATION ADJUSTMENT.—In the case of
19 any taxable year beginning after 2026, the
20 \$500,000 and \$600,000 amounts in paragraph (1)
21 shall be increased by an amount equal to—

22 “(A) such dollar amount, multiplied by

23 “(B) the cost-of-living adjustment deter-
24 mined under section 1(f)(3) for the calendar
25 year in which the taxable year begins, deter-

1 mined by substituting ‘calendar year 2025’ for
2 ‘calendar year 2016’ in subparagraph (A)(ii)
3 thereof.”.

4 (c) ELIGIBLE SMALL BUSINESS.—Section 45F(c) is
5 amended by adding at the end the following new para-
6 graph:

7 “(4) ELIGIBLE SMALL BUSINESS.—The term
8 ‘eligible small business’ means a business that meets
9 the gross receipts test of section 448(c), deter-
10 mined—

11 “(A) by substituting ‘5-taxable-year’ for ‘3-
12 taxable-year’ in paragraph (1) thereof, and

13 “(B) by substituting ‘5-year’ for ‘3-year’
14 each place such term appears in paragraph
15 (3)(A) thereof.”.

16 (d) CREDIT ALLOWED FOR THIRD-PARTY INTER-
17 MEDIARIES.—Section 45F(c)(1)(A)(iii) is amended by in-
18 serting “, or under a contract with an intermediate entity
19 that contracts with one or more qualified child care facili-
20 ties to provide such child care services” before the period
21 at the end.

22 (e) TREATMENT OF JOINTLY OWNED OR OPERATED
23 CHILD CARE FACILITY.—Section 45F(c)(2) is amended
24 by adding at the end the following new subparagraph:

1 and medical leave credit is an amount equal to ei-
2 ther of the following (as elected by such employer):

3 “(A) The applicable percentage of the
4 amount of wages paid to qualifying employees
5 with respect to any period in which such em-
6 ployees are on family and medical leave.

7 “(B) If such employer has an insurance
8 policy with regards to the provision of paid
9 family and medical leave which is in force dur-
10 ing the taxable year, the applicable percentage
11 of the total amount of premiums paid or in-
12 curred by such employer during such taxable
13 year with respect to such insurance policy.”,
14 and

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

16 “(3) RATE OF PAYMENT DETERMINED WITH-
17 OUT REGARD TO WHETHER LEAVE IS TAKEN.—For
18 purposes of determining the applicable percentage
19 with respect to paragraph (1)(B), the rate of pay-
20 ment under the insurance policy shall be determined
21 without regard to whether any qualifying employees
22 were on family and medical leave during the taxable
23 year.”,

24 (2) in subsection (b)(1), by striking “credit al-
25 lowed” and inserting “wages taken into account”,

1 (3) in subsection (c), by striking paragraphs (3)
2 and (4) and inserting the following:

3 “(3) AGGREGATION RULE.—

4 “(A) IN GENERAL.—Except as provided in
5 subparagraph (B), all persons which are treated
6 as a single employer under subsections (b) and
7 (c) of section 414 shall be treated as a single
8 employer.

9 “(B) EXCEPTION.—

10 “(i) IN GENERAL.—Subparagraph (A)
11 shall not apply to any person who estab-
12 lishes to the satisfaction of the Secretary
13 that such person has a substantial and le-
14 gitimate business reason for failing to pro-
15 vide a written policy described in para-
16 graph (1) or (2).

17 “(ii) SUBSTANTIAL AND LEGITIMATE
18 BUSINESS REASON.—For purposes of
19 clause (i), the term ‘substantial and legiti-
20 mate business reason’ shall not include the
21 operation of a separate line of business,
22 the rate of wages or category of jobs for
23 employees (or any similar basis), or the ap-
24 plication of State or local laws relating to
25 family and medical leave, but may include

1 the grouping of employees of a common
2 law employer.

3 “(4) TREATMENT OF BENEFITS MANDATED OR
4 PAID FOR BY STATE OR LOCAL GOVERNMENTS.—For
5 purposes of this section, any leave which is paid by
6 a State or local government or required by State or
7 local law—

8 “(A) except as provided in subparagraph
9 (B), shall be taken into account in determining
10 the amount of paid family and medical leave
11 provided by the employer, and

12 “(B) shall not be taken into account in de-
13 termining the amount of the paid family and
14 medical leave credit under subsection (a).”,
15 (4) in subsection (d)—

16 (A) in paragraph (1), by inserting “(or, at
17 the election of the employer, for not less than
18 6 months)” after “1 year or more”, and

19 (B) in paragraph (2)—

20 (i) by inserting “, as determined on
21 an annualized basis (pro-rata for part-time
22 employees),” after “compensation”, and

23 (ii) by striking the period at the end
24 and inserting “, and”, and

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

1 “(3) is customarily employed for not less than
2 20 hours per week.”, and

3 (5) by striking subsection (i).

4 (b) NO DOUBLE BENEFIT.—Section 280C(a) is
5 amended—

6 (1) by striking “45S(a)” and inserting
7 “45S(a)(1)(A)”, and

8 (2) by inserting after the first sentence the fol-
9 lowing: “No deduction shall be allowed for that por-
10 tion of the premiums paid or incurred for the tax-
11 able year which is equal to that portion of the paid
12 family and medical leave credit which is determined
13 for the taxable year under section 45S(a)(1)(B).”

14 (c) OUTREACH.—

15 (1) SBA AND RESOURCE PARTNERS.—Each
16 district office of the Small Business Administration
17 and each resource partner of the Small Business Ad-
18 ministration, including small business development
19 centers described in section 21 of the Small Busi-
20 ness Act (15 U.S.C. 648)), women’s business centers
21 described in section 29 of such Act (15 U.S.C. 656),
22 each chapter of the Service Corps of Retired Execu-
23 tives described in section 8(b)(1)(B) of such Act (15
24 U.S.C. 637(b)(1)(B)), and Veteran Business Out-
25 reach Centers described in section 32 of such Act

1 (15 U.S.C. 657b), shall conduct outreach to relevant
2 parties regarding the paid family and medical leave
3 credit under section 45S of the Internal Revenue
4 Code of 1986, including through—

5 (A) targeted communications, education,
6 training, and technical assistance; and

7 (B) the development of a written paid fam-
8 ily leave policy, as described in paragraphs (1)
9 and (2) of section 45S(c) of the Internal Rev-
10 enue Code of 1986.

11 (2) INTERNAL REVENUE SERVICE.—The Sec-
12 retary of the Treasury (or the Secretary’s delegate)
13 shall perform targeted outreach to employers and
14 other relevant entities regarding the availability and
15 requirements of the paid family and medical leave
16 credit under section 45S of the Internal Revenue
17 Code of 1986, including providing relevant informa-
18 tion as part of Internal Revenue Service communica-
19 tions that are regularly issued to entities that pro-
20 vide payroll services, tax professionals, and small
21 businesses.

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2025.

1 **SEC. 110107. ENHANCEMENT OF ADOPTION CREDIT.**

2 (a) IN GENERAL.—Section 23(a) is amended by add-
3 ing at the end the following new paragraph:

4 “(4) PORTION OF CREDIT REFUNDABLE.—So
5 much of the credit allowed under paragraph (1) as
6 does not exceed \$5,000 shall be treated as a credit
7 allowed under subpart C and not as a credit allowed
8 under this subpart.”.

9 (b) ADJUSTMENTS FOR INFLATION.—Section 23(h)
10 is amended to read as follows:

11 “(h) ADJUSTMENTS FOR INFLATION.—

12 “(1) IN GENERAL.—In the case of a taxable
13 year beginning after December 31, 2002, each of the
14 dollar amounts in paragraphs (3) and (4) of sub-
15 section (a) and paragraphs (1) and (2)(A)(i) of sub-
16 section (b) shall be increased by an amount equal
17 to—

18 “(A) such dollar amount, multiplied by

19 “(B) the cost-of-living adjustment deter-
20 mined under section 1(f)(3) for the calendar
21 year in which the taxable year begins, deter-
22 mined by substituting ‘calendar year 2001’ for
23 ‘calendar year 2016’ in subparagraph (A)(ii)
24 thereof.

25 “(2) ROUNDING.—If any amount as increased
26 under paragraph (1) is not a multiple of \$10, such

1 amount shall be rounded to the nearest multiple of
2 \$10.

3 “(3) SPECIAL RULE FOR REFUNDABLE POR-
4 TION.—In the case of the dollar amount in sub-
5 section (a)(4), paragraph (1) shall be applied—

6 “(A) by substituting ‘2025’ for ‘2002’ in
7 the matter preceding subparagraph (A), and

8 “(B) by substituting ‘calendar year 2024’
9 for ‘calendar year 2001’ in subparagraph (B)
10 thereof.”.

11 (c) EXCLUSION OF REFUNDABLE PORTION OF CRED-
12 IT FROM CARRYFORWARD.—Section 23(c)(1) is amended
13 by striking “credit allowable under subsection (a)” and in-
14 serting “portion of the credit allowable under subsection
15 (a) which is allowed under this subpart”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2024.

19 **SEC. 110108. RECOGNIZING INDIAN TRIBAL GOVERNMENTS**
20 **FOR PURPOSES OF DETERMINING WHETHER**
21 **A CHILD HAS SPECIAL NEEDS FOR PURPOSES**
22 **OF THE ADOPTION CREDIT.**

23 (a) IN GENERAL.—Section 23(d)(3) is amended—

24 (1) in subparagraph (A), by inserting “or In-
25 dian tribal government” after “a State”, and

1 (2) in subparagraph (B), by inserting “or In-
2 dian tribal government” after “such State”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2024.

6 **SEC. 110109. TAX CREDIT FOR CONTRIBUTIONS OF INDIVID-**
7 **UALS TO SCHOLARSHIP GRANTING ORGANI-**
8 **ZATIONS.**

9 (a) ALLOWANCE OF CREDIT.—

10 (1) IN GENERAL.—Subpart A of part IV of sub-
11 chapter A of chapter 1 is amended by inserting after
12 section 25E the following new section:

13 **“SEC. 25F. QUALIFIED ELEMENTARY AND SECONDARY EDU-**
14 **CATION SCHOLARSHIPS.**

15 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
16 dividual, there shall be allowed as a credit against the tax
17 imposed by this chapter for the taxable year an amount
18 equal to the aggregate amount of qualified contributions
19 made by the taxpayer during the taxable year.

20 “(b) LIMITATIONS.—

21 “(1) IN GENERAL.—The credit allowed under
22 subsection (a) to any taxpayer for any taxable year
23 shall not exceed an amount equal to the greater of—

24 “(A) 10 percent of the adjusted gross in-
25 come of the taxpayer for the taxable year, or

1 “(B) \$5,000.

2 “(2) ALLOCATION OF VOLUME CAP.—The credit
3 allowed under subsection (a) to any taxpayer for any
4 taxable year shall not exceed the amount of the vol-
5 ume cap allocated by the Secretary to such taxpayer
6 under subsection (g) with respect to qualified con-
7 tributions made by the taxpayer during the taxable
8 year.

9 “(3) REDUCTION BASED ON STATE CREDIT.—
10 The amount allowed as a credit under subsection (a)
11 for a taxable year shall be reduced by the amount
12 allowed as a credit on any State tax return of the
13 taxpayer for qualified contributions made by the tax-
14 payer during the taxable year.

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

16 “(1) ELIGIBLE STUDENT.—The term ‘eligible
17 student’ means an individual who—

18 “(A) is a member of a household with an
19 income which is not greater than 300 percent
20 of the area median gross income (as such term
21 is used in section 42), and

22 “(B) is eligible to enroll in a public ele-
23 mentary or secondary school.

24 “(2) QUALIFIED CONTRIBUTION.—The term
25 ‘qualified contribution’ means a charitable contribu-

1 tion (as defined by section 170(c)) to a scholarship
2 granting organization in the form of cash or market-
3 able securities.

4 “(3) QUALIFIED ELEMENTARY OR SECONDARY
5 EDUCATION EXPENSE.—The term ‘qualified elemen-
6 tary or secondary education expense’ means the fol-
7 lowing expenses in connection with enrollment or at-
8 tendance at, or for students enrolled at or attending,
9 an elementary or secondary public, private, or reli-
10 gious school:

11 “(A) Tuition.

12 “(B) Curriculum and curricular materials.

13 “(C) Books or other instructional mate-
14 rials.

15 “(D) Online educational materials.

16 “(E) Tuition for tutoring or educational
17 classes outside of the home, including at a tu-
18 toring facility, but only if the tutor or instruc-
19 tor is not related to the student and—

20 “(i) is licensed as a teacher in any
21 State,

22 “(ii) has taught at an eligible edu-
23 cational institution, or

24 “(iii) is a subject matter expert in the
25 relevant subject.

1 “(F) Fees for a nationally standardized
2 norm-referenced achievement test, an advanced
3 placement examination, or any examinations re-
4 lated to college or university admission.

5 “(G) Fees for dual enrollment in an insti-
6 tution of higher education.

7 “(H) Educational therapies for students
8 with disabilities provided by a licensed or ac-
9 credited practitioner or provider, including oc-
10 cupational, behavioral, physical, and speech-lan-
11 guage therapies.

12 Such term shall include expenses for the purposes
13 described in subparagraphs (A) through (H) in con-
14 nection with a homeschool (whether treated as a
15 homeschool or a private school for purposes of appli-
16 cable State law). No amount paid to an elementary
17 or secondary school shall be considered a qualified
18 elementary or secondary education expense for the
19 purposes of this section unless such school dem-
20 onstrates that it maintains a policy whereby its ad-
21 missions standards do not take into account whether
22 the student seeking enrollment has a current individ-
23 ualized education plan, nor takes into account that
24 the student requires equitable services for a learning
25 disability, and if a student does have such an indi-

1 vidualized education plan, the school abides by the
2 plan’s terms and provides services outlined therein.

3 “(4) SCHOLARSHIP GRANTING ORGANIZA-
4 TION.—The term ‘scholarship granting organization’
5 means any organization—

6 “(A) which—

7 “(i) is described in section 501(c)(3)
8 and exempt from tax under section 501(a),
9 and

10 “(ii) is not a private foundation,

11 “(B) substantially all of the activities of
12 which are providing scholarships for qualified
13 elementary or secondary education expenses of
14 eligible students,

15 “(C) which prevents the co-mingling of
16 qualified contributions with other amounts by
17 maintaining one or more separate accounts ex-
18 clusively for qualified contributions, and

19 “(D) which either—

20 “(i) meets the requirements of sub-
21 section (d), or

22 “(ii) pursuant to State law, was able
23 (as of the date of the enactment of this
24 section) to receive contributions that are
25 eligible for a State tax credit if such con-

1 tributions are used by the organization to
2 provide scholarships to individual elemen-
3 tary and secondary students, including
4 scholarships for attending private schools.

5 “(d) REQUIREMENTS FOR SCHOLARSHIP GRANTING
6 ORGANIZATIONS.—

7 “(1) IN GENERAL.—An organization meets the
8 requirements of this subsection if—

9 “(A) such organization provides scholar-
10 ships to 2 or more students, provided that not
11 all such students attend the same school,

12 “(B) such organization does not provide
13 scholarships for any expenses other than quali-
14 fied elementary or secondary education ex-
15 penses,

16 “(C) such organization provides a scholar-
17 ship to eligible students with a priority for—

18 “(i) students awarded a scholarship
19 the previous school year, and

20 “(ii) after application of clause (i),
21 any such students who have a sibling who
22 was awarded a scholarship from such orga-
23 nization,

1 “(D) such organization does not earmark
2 or set aside contributions for scholarships on
3 behalf of any particular student,

4 “(E) such organization takes appropriate
5 steps to verify the annual household income and
6 family size of eligible students to whom it
7 awards scholarships, and limits them to a mem-
8 ber of a household for which the income does
9 not exceed the amount established under sub-
10 section (c)(1)(A),

11 “(F) such organization—

12 “(i) obtains from an independent cer-
13 tified public accountant annual financial
14 and compliance audits, and

15 “(ii) certifies to the Secretary (at such
16 time, and in such form and manner, as the
17 Secretary may prescribe) that the audit de-
18 scribed in clause (i) has been completed,
19 and

20 “(G) no officer or board member of such
21 organization has been convicted of a felony.

22 “(2) INCOME VERIFICATION.—For purposes of
23 paragraph (1)(E), review of all of the following (as
24 applicable) shall be treated as satisfying the require-

1 ment to take appropriate steps to verify annual
2 household income:

3 “(A) Federal and State income tax returns
4 or tax return transcripts with applicable sched-
5 ules for the taxable year prior to application.

6 “(B) Income reporting statements for tax
7 purposes or wage and income transcripts from
8 the Internal Revenue Service.

9 “(C) Notarized income verification letter
10 from employers.

11 “(D) Unemployment or workers compensa-
12 tion statements.

13 “(E) Budget letters regarding public as-
14 sistance payments and Supplemental Nutrition
15 Assistance Program (SNAP) payments includ-
16 ing a list of household members.

17 “(3) INDEPENDENT CERTIFIED PUBLIC AC-
18 COUNTANT.—For purposes of paragraph (1)(F), the
19 term ‘independent certified public accountant’
20 means, with respect to an organization, a certified
21 public accountant who is not a person described in
22 section 465(b)(3)(A) with respect to such organiza-
23 tion or any employee of such organization.

24 “(4) PROHIBITION ON SELF-DEALING.—

1 “(A) IN GENERAL.—A scholarship grant-
2 ing organization may not award a scholarship
3 to any disqualified person.

4 “(B) DISQUALIFIED PERSON.—For pur-
5 poses of this paragraph, a disqualified person
6 shall be determined pursuant to rules similar to
7 the rules of section 4946.

8 “(e) DENIAL OF DOUBLE BENEFIT.—Any qualified
9 contribution for which a credit is allowed under this sec-
10 tion shall not be taken into account as a charitable con-
11 tribution for purposes of section 170.

12 “(f) CARRYFORWARD OF UNUSED CREDIT.—

13 “(1) IN GENERAL.—If the credit allowable
14 under subsection (a) for any taxable year exceeds
15 the limitation imposed by section 26(a) for such tax-
16 able year reduced by the sum of the credits allowable
17 under this subpart (other than this section, section
18 23, and section 25D), such excess shall be carried to
19 the succeeding taxable year and added to the credit
20 allowable under subsection (a) for such taxable year.

21 “(2) LIMITATION.—No credit may be carried
22 forward under this subsection to any taxable year
23 following the fifth taxable year after the taxable year
24 in which the credit arose. For purposes of the pre-

1 ceding sentence, credits shall be treated as used on
2 a first-in first-out basis.

3 “(g) VOLUME CAP.—

4 “(1) IN GENERAL.—The volume cap applicable
5 under this section shall be \$5,000,000,000 for each
6 of calendar years 2026 through 2029, and zero for
7 calendar years thereafter. Such amount shall be allo-
8 cated by the Secretary as provided in paragraph (2)
9 to taxpayers with respect to qualified contributions
10 made by such taxpayers, except that 10 percent of
11 such amount shall be divided evenly among the
12 States, and shall be available with respect to individ-
13 uals residing in such States.

14 “(2) FIRST-COME, FIRST-SERVE.—For purposes
15 of applying the volume cap under this section, such
16 volume cap for any calendar year shall be allocated
17 by the Secretary on a first-come, first-serve basis, as
18 determined based on the time (during such calendar
19 year) at which the taxpayer made the qualified con-
20 tribution with respect to which the allocation is
21 made. The Secretary shall not make any allocation
22 of volume cap for any calendar year after December
23 31 of such calendar year.

24 “(3) REAL-TIME INFORMATION.—For purposes
25 of this section, the Secretary shall develop a system

1 to track the amount of qualified contributions made
2 during the calendar year for which a credit may be
3 claimed under this section, with such information to
4 be updated in real time.

5 “(4) ANNUAL INCREASES.—

6 “(A) IN GENERAL.—In the case of the cal-
7 endar year after a high-use calendar year, the
8 dollar amount otherwise in effect under para-
9 graph (1) for such calendar year shall be equal
10 to 105 percent of the dollar amount in effect
11 for such high-use calendar year.

12 “(B) HIGH-USE CALENDAR YEAR.—For
13 purposes of this subsection, the term ‘high-use
14 calendar year’ means any calendar year for
15 which 90 percent or more of the volume cap in
16 effect for such calendar year under paragraph
17 (1) is allocated to taxpayers.

18 “(C) PREVENTION OF DECREASES IN AN-
19 NUAL VOLUME CAP.—The volume cap in effect
20 under paragraph (1) for any calendar year shall
21 not be less than the volume cap in effect under
22 such paragraph for the preceding calendar year.

23 “(D) PUBLICATION OF ANNUAL VOLUME
24 CAP.—The Secretary shall make publicly avail-
25 able the dollar amount of the volume cap in ef-

1 fect under paragraph (1) for each calendar
2 year.

3 “(5) STATES.—For purposes of this subsection,
4 the term ‘State’ includes the District of Columbia.”.

5 (2) CONFORMING AMENDMENTS.—

6 (A) Section 25(e)(1)(C) is amended by
7 striking “and 25D” and inserting “25D, and
8 25F”.

9 (B) The table of sections for subpart A of
10 part IV of subchapter A of chapter 1 is amend-
11 ed by inserting after the item relating to section
12 25E the following new item:

“Sec. 25F. Qualified elementary and secondary education scholarships.”.

13 (b) FAILURE OF SCHOLARSHIP GRANTING ORGANI-
14 ZATIONS TO MAKE DISTRIBUTIONS.—

15 (1) IN GENERAL.—Chapter 42 is amended by
16 adding at the end the following new subchapter:

17 **“Subchapter I—Scholarship Granting**
18 **Organizations**

“Sec. 4969. Failure to distribute receipts.

19 **“SEC. 4969. FAILURE TO DISTRIBUTE RECEIPTS.**

20 “(a) IN GENERAL.—In the case of any scholarship
21 granting organization (as defined in section 25F) which
22 has been determined by the Secretary to have failed to
23 satisfy the requirement under subsection (b) for any tax-
24 able year, any contribution made to such organization dur-

1 ing the first taxable year beginning after the date of such
2 determination shall not be treated as a qualified contribu-
3 tion (as defined in section 25F(c)(2)) for purposes of sec-
4 tion 25F.

5 “(b) REQUIREMENT.—The requirement described in
6 this subsection is that the amount of receipts of the schol-
7 arship granting organization for the taxable year which
8 are distributed before the distribution deadline with re-
9 spect to such receipts shall not be less than the required
10 distribution amount with respect to such taxable year.

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

12 “(1) REQUIRED DISTRIBUTION AMOUNT.—

13 “(A) IN GENERAL.—The required distribu-
14 tion amount with respect to a taxable year is
15 the amount equal to 100 percent of the total re-
16 cepts of the scholarship granting organization
17 for such taxable year—

18 “(i) reduced by the sum of such re-
19 cepts that are retained for reasonable ad-
20 ministrative expenses for the taxable year
21 or are carried to the succeeding taxable
22 year under subparagraph (C), and

23 “(ii) increased by the amount of the
24 carryover under subparagraph (C) from
25 the preceding taxable year.

1 “(B) SAFE HARBOR FOR REASONABLE AD-
2 MINISTRATIVE EXPENSES.—For purposes of
3 subparagraph (A)(i), if the percentage of total
4 receipts of a scholarship granting organization
5 for a taxable year which are used for adminis-
6 trative purposes is equal to or less than 10 per-
7 cent, such expenses shall be deemed to be rea-
8 sonable for purposes of such subparagraph.

9 “(C) CARRYOVER.—With respect to the
10 amount of the total receipts of a scholarship
11 granting organization with respect to any tax-
12 able year, an amount not greater than 15 per-
13 cent of such amount may, at the election of
14 such organization, be carried to the succeeding
15 taxable year.

16 “(2) DISTRIBUTIONS.—The term ‘distribution’
17 includes amounts which are formally committed but
18 not distributed. A formal commitment described in
19 the preceding sentence may include contributions set
20 aside for eligible students for more than one year.

21 “(3) DISTRIBUTION DEADLINE.—The distribu-
22 tion deadline with respect to receipts for a taxable
23 year is the first day of the third taxable year fol-
24 lowing the taxable year in which such receipts are
25 received by the scholarship granting organization.”.

1 (2) CLERICAL AMENDMENT.—The table of sub-
2 chapters for chapter 42 is amended by adding at the
3 end the following new item:

 “SUBCHAPTER I—SCHOLARSHIP GRANTING ORGANIZATIONS”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years ending after De-
6 cember 31, 2025.

7 **SEC. 110110. ADDITIONAL ELEMENTARY, SECONDARY, AND**
8 **HOME SCHOOL EXPENSES TREATED AS**
9 **QUALIFIED HIGHER EDUCATION EXPENSES**
10 **FOR PURPOSES OF 529 ACCOUNTS.**

11 (a) IN GENERAL.—Section 529(c)(7) is amended to
12 read as follows:

13 “(7) TREATMENT OF ELEMENTARY AND SEC-
14 ONDARY TUITION.—Any reference in this section to
15 the term ‘qualified higher education expense’ shall
16 include a reference to the following expenses in con-
17 nection with enrollment or attendance at, or for stu-
18 dents enrolled at or attending, an elementary or sec-
19 ondary public, private, or religious school:

20 “(A) Tuition.

21 “(B) Curriculum and curricular materials.

22 “(C) Books or other instructional mate-
23 rials.

24 “(D) Online educational materials.

1 “(E) Tuition for tutoring or educational
2 classes outside of the home, including at a tu-
3 toring facility, but only if the tutor or instruc-
4 tor is not related to the student and—

5 “(i) is licensed as a teacher in any
6 State,

7 “(ii) has taught at an eligible edu-
8 cational institution, or

9 “(iii) is a subject matter expert in the
10 relevant subject.

11 “(F) Fees for a nationally standardized
12 norm-referenced achievement test, an advanced
13 placement examination, or any examinations re-
14 lated to college or university admission.

15 “(G) Fees for dual enrollment in an insti-
16 tution of higher education.

17 “(H) Educational therapies for students
18 with disabilities provided by a licensed or ac-
19 credited practitioner or provider, including oc-
20 cupational, behavioral, physical, and speech-lan-
21 guage therapies.

22 Such term shall include expenses for the purposes
23 described in subparagraphs (A) through (H) in con-
24 nection with a homeschool (whether treated as a

1 homeschool or a private school for purposes of appli-
2 cable State law).”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to distributions made after the
5 date of the enactment of this Act.

6 **SEC. 110111. CERTAIN POSTSECONDARY CREDENTIALING**
7 **EXPENSES TREATED AS QUALIFIED HIGHER**
8 **EDUCATION EXPENSES FOR PURPOSES OF**
9 **529 ACCOUNTS.**

10 (a) **IN GENERAL.**—Section 529(e)(3) is amended by
11 adding at the end the following new subparagraph:

12 “(C) CERTAIN POSTSECONDARY
13 CREDENTIALING EXPENSES.—The term ‘quali-
14 fied higher education expenses’ includes quali-
15 fied postsecondary credentialing expenses (as
16 defined in subsection (f)).”.

17 (b) **QUALIFIED POSTSECONDARY CREDENTIALING**
18 **EXPENSES.**—Section 529 is amended by redesignating
19 subsection (f) as subsection (g) and by inserting after sub-
20 section (e) the following new subsection:

21 “(f) **QUALIFIED POSTSECONDARY CREDENTIALING**
22 **EXPENSES.**—For purposes of this section—

23 “(1) **IN GENERAL.**—The term ‘qualified post-
24 secondary credentialing expenses’ means—

1 “(A) tuition, fees, books, supplies, and
2 equipment required for the enrollment or at-
3 tendance of a designated beneficiary in a recog-
4 nized postsecondary credential program, or any
5 other expense incurred in connection with en-
6 rollment in or attendance at a recognized post-
7 secondary credential program if such expense
8 would, if incurred in connection with enrollment
9 or attendance at an eligible educational institu-
10 tion, be covered under subsection (e)(3)(A),

11 “(B) fees for testing if such testing is re-
12 quired to obtain or maintain a recognized post-
13 secondary credential, and

14 “(C) fees for continuing education if such
15 education is required to maintain a recognized
16 postsecondary credential.

17 “(2) **RECOGNIZED POSTSECONDARY CREDEN-**
18 **TIAL PROGRAM.**—The term ‘recognized postsec-
19 ondary credential program’ means any program to
20 obtain a recognized postsecondary credential if—

21 “(A) such program is included on a State
22 list prepared under section 122(d) of the Work-
23 force Innovation and Opportunity Act (29
24 U.S.C. 3152(d)),

1 “(B) such program is listed in the
2 WEAMS Public directory (or successor direc-
3 tory) maintained by the Department of Vet-
4 erans Affairs,

5 “(C) an examination (developed or admin-
6 istered by an organization widely recognized as
7 providing reputable credentials in the occupa-
8 tion) is required to obtain or maintain such cre-
9 dential and such organization recognizes such
10 program as providing training or education
11 which prepares individuals to take such exam-
12 ination, or

13 “(D) such program is identified by the
14 Secretary, after consultation with the Secretary
15 of Labor, as being a reputable program for ob-
16 taining a recognized postsecondary credential
17 for purposes of this subsection.

18 “(3) RECOGNIZED POSTSECONDARY CREDEN-
19 TIAL.—The term ‘recognized postsecondary creden-
20 tial’ means—

21 “(A) any postsecondary employment cre-
22 dential that is industry recognized, including—

23 “(i) any postsecondary employment
24 credential issued by a program that is ac-
25 credited by the Institute for Credentialing

1 Excellence, the National Commission on
2 Certifying Agencies, or the American Na-
3 tional Standards Institute,

4 “(ii) any postsecondary employment
5 credential that is included in the
6 Credentialing Opportunities On-Line
7 (COOL) directory of credentialing pro-
8 grams (or successor directory) maintained
9 by the Department of Defense or by any
10 branch of the Armed Services, and

11 “(iii) any postsecondary employment
12 credential identified for purposes of this
13 clause by the Secretary, after consultation
14 with the Secretary of Labor, as being in-
15 dustry recognized,

16 “(B) any certificate of completion of an
17 apprenticeship that is registered and certified
18 with the Secretary of Labor under the National
19 Apprenticeship Act (29 U.S.C. 50),

20 “(C) any occupational or professional li-
21 cense issued or recognized by a State or the
22 Federal Government (and any certification that
23 satisfies a condition for obtaining such a li-
24 cense), and

1 (b) INFLATION ADJUSTMENT.—Section 127 is
2 amended—

3 (1) by redesignating subsection (d) as sub-
4 section (e), and

5 (2) by inserting after subsection (e) the fol-
6 lowing new subsection:

7 “(d) INFLATION ADJUSTMENT.—

8 “(1) IN GENERAL.—In the case of any taxable
9 year beginning after 2026, both of the \$5,250
10 amounts in subsection (a)(2) shall be increased by
11 an amount equal to—

12 “(A) such dollar amount, multiplied by

13 “(B) the cost-of-living adjustment deter-
14 mined under section 1(f)(3) for the calendar
15 year in which the taxable year begins, deter-
16 mined by substituting ‘calendar year 2025’ for
17 ‘calendar year 2016’ in subparagraph (A)(ii)
18 thereof.

19 “(2) ROUNDING.—If any increase under para-
20 graph (1) is not a multiple of \$50, such increase
21 shall be rounded to the nearest multiple of \$50.”.

22 (c) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to payments made after December
24 31, 2025.

1 **SEC. 110114. EXTENSION OF RULES FOR TREATMENT OF**
2 **CERTAIN DISASTER-RELATED PERSONAL**
3 **CASUALTY LOSSES.**

4 For purposes of applying section 304(b) of the Tax-
5 payer Certainty and Disaster Tax Relief Act of 2020 (divi-
6 sion EE of Public Law 116–260), section 301 of such Act
7 shall be applied by substituting the date of the enactment
8 of this section for “the date of the enactment of this Act”
9 each place it appears.

10 **SEC. 110115. MAGA ACCOUNTS.**

11 (a) IN GENERAL.—Subchapter F of chapter 1 is
12 amended by adding at the end the following new part:

13 **“PART IX—MAGA ACCOUNTS**

14 **“SEC. 530A. MAGA ACCOUNTS.**

15 “(a) GENERAL RULE.—A MAGA account shall be ex-
16 empt from taxation under this subtitle. Notwithstanding
17 the preceding sentence, such account shall be subject to
18 the taxes imposed by section 511 (relating to imposition
19 of tax on unrelated business income of charitable organiza-
20 tions).

21 “(b) MAGA ACCOUNT.—For purposes of this sec-
22 tion—

23 “(1) IN GENERAL.—The term ‘money account
24 for growth and advancement’ or ‘MAGA account’
25 means a trust created or organized in the United
26 States for the exclusive benefit of an individual and

1 which is designated (in such manner as the Sec-
2 retary shall prescribe) at the time of the establish-
3 ment of the trust as a MAGA account, but only if
4 the written governing instrument creating the trust
5 meets the following requirements:

6 “(A) The individual establishing the ac-
7 count shall provide to the trustee the social se-
8 curity number of such individual and of the ac-
9 count beneficiary.

10 “(B) Except in the case of a qualified roll-
11 over contribution described in subsection (e), no
12 contribution will be accepted—

13 “(i) before January 1, 2026,

14 “(ii) unless it is in cash,

15 “(iii) unless the account beneficiary
16 has not attained age 18, and

17 “(iv) if such contribution would result
18 in aggregate contributions for the taxable
19 year exceeding the contribution limit speci-
20 fied in subsection (e)(1).

21 “(C) No distribution (other than a dis-
22 tribution of a qualified rollover contribution)
23 will be allowed—

24 “(i) before the date on which the ac-
25 count beneficiary attains age 18, or

1 “(ii) in the case of such an account
2 the account beneficiary of which has not
3 attained age 25, if the aggregate distribu-
4 tions from such account exceeds the
5 amount that is $\frac{1}{2}$ the cash equivalent
6 value of the account on the date on which
7 the account beneficiary attains age 18.

8 “(D) The account beneficiary has not at-
9 tained age 8 on the date of the establishment
10 of the account.

11 “(E) The trustee is a bank (as defined in
12 section 408(n)) or another person who dem-
13 onstrates to the satisfaction of the Secretary
14 that the manner in which that person will ad-
15 minister the trust will be consistent with the re-
16 quirements of this section or who has so dem-
17 onstrated with respect to any individual retire-
18 ment plan.

19 “(F) The interest of an individual in the
20 balance of his account is nonforfeitable.

21 “(G) The assets of the trust shall not be
22 commingled with other property except in a
23 common trust fund or common investment
24 fund.

1 “(H) No part of the trust funds will be in-
2 vested in any asset other than eligible invest-
3 ments.

4 “(2) ELIGIBLE INVESTMENTS.—The term ‘eligi-
5 ble investments’ means stock of a regulated invest-
6 ment company (within the meaning of section 851)
7 which—

8 “(A) tracks a well-established index of
9 United States equities (or which invests in an
10 equivalent diversified portfolio of United States
11 equities),

12 “(B) does not use leverage,

13 “(C) minimizes fees and expenses, and

14 “(D) meets such other criteria as the Sec-
15 retary determines appropriate for purposes of
16 this section.

17 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-
18 count beneficiary’ means the individual on whose be-
19 half the MAGA account was established.

20 “(c) TREATMENT OF CONTRIBUTIONS.—

21 “(1) CONTRIBUTION LIMIT.—The contribution
22 limit for any taxable year is \$5,000.

23 “(2) CONTRIBUTIONS FROM TAX EXEMPT
24 SOURCES AND ROLLOVER CONTRIBUTIONS.—The
25 amount contributed to a MAGA account for pur-

1 poses of paragraph (1) shall be determined without
2 regard to—

3 “(A) a qualified rollover contribution,

4 “(B) any contribution from the Federal
5 Government or any State, local, or tribal gov-
6 ernment, or

7 “(C) any contribution made through the
8 program established under subsection (l).

9 “(3) COST-OF-LIVING ADJUSTMENT.—

10 “(A) IN GENERAL.—In the case of any
11 taxable year beginning in a calendar year after
12 2026, the \$5,000 amount under paragraph (1)
13 shall be increased by an amount equal to—

14 “(i) such dollar amount, multiplied by

15 “(ii) the cost-of-living adjustment de-
16 termined under section 1(f)(3) for the cal-
17 endar year, determined by substituting
18 ‘calendar year 2025’ for ‘calendar year
19 2016’ in subparagraph (A)(ii) thereof.

20 “(B) ROUNDING.—If any increase under
21 subparagraph (A) is not a multiple of \$100,
22 such amount shall be rounded to the next lower
23 multiple of \$100.

24 “(d) DISTRIBUTIONS.—

1 “(1) AMOUNTS ALLOCABLE TO INVESTMENT IN
2 THE CONTRACT.—A distribution from a MAGA ac-
3 count of an amount allocable to the investment in
4 the contract shall not be includible in the gross in-
5 come of the distributee.

6 “(2) AMOUNTS ALLOCABLE TO INCOME ON THE
7 CONTRACT USED FOR QUALIFIED EXPENSES.—A
8 distribution from a MAGA account of an amount al-
9 locable to income on the contract and which is used
10 exclusively to pay for qualified expenses shall be in-
11 cludible in net capital gain of the distributee under
12 section 1(h)(12).

13 “(3) AMOUNTS INCLUDIBLE IN GROSS IN-
14 COME.—Any distribution from a MAGA account
15 which is not described in paragraph (1) or (2) shall
16 be includible in the gross income of the distributee.

17 “(4) QUALIFIED EXPENSES.—For purposes of
18 this subsection, the term ‘qualified expenses’ means
19 any of the following expenses paid or incurred for
20 the benefit of the account beneficiary:

21 “(A) Qualified higher education expenses
22 (as defined in section 529(e)(3)) determined
23 without regard to section 529(c)(7).

24 “(B) Qualified post-secondary credentialing
25 expenses (as defined in section 529(f)).

1 “(C) Under regulations provided by the
2 Secretary, amounts paid or incurred with re-
3 spect to any small businesses for which the ben-
4 eficiary has obtained any small business loan,
5 small farm loan, or similar loan.

6 “(D) Any amount used for the purchase
7 (as defined in section 36(c)(3)) of the principal
8 residence (as used in section 121) of the ac-
9 count beneficiary if such account beneficiary is
10 a first-time homebuyer (as defined in section
11 36(c)(1)) with respect to such purchase.

12 “(5) EXCEPTIONS.—Paragraphs (2) and (3)
13 shall not apply to any distribution which is a quali-
14 fied rollover contribution.

15 “(6) ADDITIONAL TAX ON CERTAIN DISTRIBU-
16 TIONS.—In the case of a distributee who has not at-
17 tained age 30, the tax imposed by this chapter on
18 the account beneficiary for any taxable year in which
19 there is a distribution from a MAGA account of such
20 beneficiary which is includible in gross income under
21 paragraph (3) shall be increased by 10 percent of
22 the amount which is so includible.

23 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For
24 purposes of this section, the term ‘qualified rollover con-
25 tribution’ means an amount which is paid in a direct trust-

1 ee-to-trustee transfer from a MAGA account maintained
2 for the benefit of the account beneficiary to a MAGA ac-
3 count maintained for such beneficiary.

4 “(f) TREATMENT AFTER DEATH OF ACCOUNT BENE-
5 FICIARY.—Rules similar to the rules of section 223(f)(8)
6 shall apply for purposes of this section.

7 “(g) DETERMINATIONS OF AGGREGATE DISTRIBUTU-
8 TIONS AND INVESTMENT IN CONTRACT IN THE CASE OF
9 CERTAIN ROLLOVER CONTRIBUTIONS.—In the case of a
10 qualified rollover contribution which is described in sub-
11 section (e)(2), any determination required under this sec-
12 tion of the amount of the investment of the contract or
13 of aggregate distributions from the MAGA account shall
14 be determined with respect to the aggregate of such
15 amounts for all MAGA accounts of the same account bene-
16 ficiary.

17 “(h) CUSTODIAL ACCOUNTS.—For purposes of this
18 section, a custodial account shall be treated as a trust
19 under this section if—

20 “(1) the custodial account would, except for the
21 fact that it is not a trust, constitute a trust which
22 meets the requirements of subsection (b)(1), and

23 “(2) the assets of such account are held by a
24 bank (as defined in section 408(n)) or another per-
25 son who demonstrates, to the satisfaction of the Sec-

1 retary, that the manner in which he will administer
2 the account will be consistent with the requirements
3 of this section.

4 For purposes of this title, in the case of a custodial ac-
5 count treated as a trust by reason of the preceding sen-
6 tence, the person holding the assets of such account shall
7 be treated as the trustee thereof.

8 “(i) TERMINATION.—

9 “(1) AGE 31.—Upon the date on which the ac-
10 count beneficiary attains age 31, a MAGA account
11 shall cease to be a MAGA account and the amount
12 in such account shall be treated as distributed for
13 purposes of subsection (d).

14 “(2) MULTIPLE ACCOUNTS OF ONE BENE-
15 FICIARY.—

16 “(A) IN GENERAL.—In the case of any du-
17 plicate MAGA account of any account bene-
18 ficiary other than a MAGA account which is es-
19 tablished by the deposit through a qualified roll-
20 over contribution of the entire amount of an-
21 other MAGA account of the account bene-
22 ficiary—

23 “(i) such duplicate MAGA account
24 shall cease to be a MAGA account and the
25 amount in such account shall be treated as

1 distributed for purposes of subsection (d),
2 and

3 “(ii) there is imposed an excise tax on
4 the account beneficiary in an amount equal
5 to so much of cash value of the account as
6 is allocable to income on the contract.

7 “(B) WITHHOLDING REQUIREMENT.—In
8 the case of an account terminated under sub-
9 paragraph (A), the trustee shall deduct and
10 withhold upon the amount to be distributed the
11 amount in excess described in subparagraph
12 (A)(ii).

13 “(C) NOTIFICATION.—The Secretary, upon
14 determining that a duplicate account exists,
15 shall provide a notice to the account beneficiary
16 of such duplicate account (and the account cus-
17 todian, in the case of a custodial account) and
18 to each trustee of any MAGA account of the ac-
19 count beneficiary of such duplicate account
20 which identifies each MAGA account of such
21 beneficiary and the trustee of each such ac-
22 count.

23 “(D) DUPLICATE ACCOUNT.—For purposes
24 of this paragraph, the term ‘duplicate account’
25 means—

1 “(i) in the case of an account bene-
2 ficiary for the benefit of whom an account
3 was established by the Secretary under
4 section 6434, any other MAGA account of
5 such account beneficiary, or

6 “(ii) in the case of any other account
7 beneficiary, any MAGA account established
8 after the first MAGA account established
9 for the benefit of such account beneficiary.

10 “(j) INVESTMENT IN THE CONTRACT.—For purposes
11 of this section, rules similar to the rules applied to a quali-
12 fied tuition program (as defined in section 529(b)) under
13 section 72(e)(9) shall apply for purposes of determining
14 the investment in the contract, except that such amount
15 shall be determined without regard to any contribution
16 which is described in subsection (c)(2).

17 “(k) REPORTS.—The trustee of a MAGA account
18 shall make such reports regarding such account to the
19 Secretary and to the beneficiary of the account with re-
20 spect to contributions, distributions, the amount of invest-
21 ment in the contract, and such other matters as the Sec-
22 retary may require. The reports required by this sub-
23 section shall be filed at such time and in such manner
24 and furnished to such individuals at such time and in such
25 manner as may be required.

1 “(1) CONTRIBUTIONS TO PREDOMINATELY UNRE-
2 LATED CHILDREN.—The Secretary shall establish a pro-
3 gram through which contributions may be made to the
4 MAGA accounts of a large group of account beneficiaries
5 if—

6 “(1) the contribution is made by any person de-
7 scribed in any paragraph of section 501(c) and ex-
8 empt from taxation under section 501(a),

9 “(2) such accounts are selected on the basis of
10 the location of the residence of the account bene-
11 ficiaries, the school district in which such bene-
12 ficiaries attend school, or another basis the Sec-
13 retary determines appropriate, and

14 “(3) all individuals who are account bene-
15 ficiaries of such an account who meet the selected
16 criteria receive an equal portion of the contribu-
17 tion.”.

18 (b) DISTRIBUTION TAXED AT SAME RATE AS NET
19 CAPITAL GAINS.—Section 1(h) is amended by adding at
20 the end the following new paragraph:

21 “(12) DISTRIBUTIONS FROM MAGA ACCOUNT
22 TAXED AS NET CAPITAL GAIN.—For purposes of this
23 subsection, the term ‘net capital gain’ means the net
24 capital gain (determined without regard to this para-
25 graph) increased by the amount includible in net

1 capital gain under this paragraph by reason of sec-
2 tion 530A(d)(2).”.

3 (c) TAX ON EXCESS CONTRIBUTIONS.—

4 (1) IN GENERAL.—Section 4973(a) is amended
5 by striking “or” at the end of paragraph (5), by in-
6 sserting “or” at the end of paragraph (6), and by in-
7 sserting after paragraph (6) the following new para-
8 graph:

9 “(7) a MAGA account (as defined in section
10 530A(b)),”.

11 (2) EXCESS CONTRIBUTION.—Section 4973 is
12 amended by adding at the end the following new
13 subsection:

14 “(i) EXCESS CONTRIBUTIONS TO A MAGA AC-
15 COUNT.—For purposes of this section, in the case of
16 MAGA accounts (within the meaning of section 530A), the
17 term ‘excess contributions’ means the sum of—

18 “(1) the amount by which the amount contrib-
19 uted for the calendar year to such account (other
20 than qualified rollover contributions (as defined in
21 section 530A(e))) exceeds the contribution limit
22 under section 530A(c)(1) (determined without re-
23 gard to contributions described in section
24 530A(c)(2)), and

1 “(2) the amount determined under this sub-
2 section for the preceding calendar year, reduced by
3 the excess (if any) of the maximum amount allow-
4 able as a contribution under section 530A(c)(1) (as
5 so determined) for the calendar year over the
6 amount contributed to the account for the calendar
7 year (other than qualified rollover contributions (as
8 so defined)).”.

9 (d) DISCLOSURE OF RETURN INFORMATION TO FA-
10 CILITATE CERTAIN CONTRIBUTIONS.—Section 6103(l) is
11 amended by adding at the end the following new para-
12 graph:

13 “(23) DISCLOSURE OF RETURN INFORMATION
14 TO ENABLE CERTAIN CONTRIBUTIONS TO MAGA AC-
15 COUNTS.—Upon written request signed by the head
16 of the bureau or office of the Department of the
17 Treasury requesting the inspection or disclosure, the
18 Secretary may disclose the following return informa-
19 tion with respect to a MAGA account (as defined in
20 section 503A(b)) to officers and employees of such
21 bureau or office to the extent that such disclosure is
22 necessary to carry out section 530A(l):

23 “(A) Information necessary to identify the
24 account holders in a particular class of bene-

1 ficiaries identified by a donor as the intended
2 recipients.

3 “(B) The name, address, and social secu-
4 rity number of a beneficiary.

5 “(C) The account custodian and the ad-
6 dress of such custodian.

7 “(D) The account number.

8 “(E) The routing number.

9 “(F) To the extent determined by the Sec-
10 retary in regulations, such other return infor-
11 mation as the Secretary determines necessary
12 to ensure proper routing of funds

13 Return information disclosed under this paragraph
14 may only be used to identify account holders in a
15 particular class of beneficiaries or for the proper
16 routing of funds and may not be redisclosed by the
17 Secretary.”.

18 (e) FAILURE TO PROVIDE REPORTS ON MAGA AC-
19 COUNTS.—Section 6693(a)(2) is amended by striking
20 “and” at the end of subparagraph (E), by striking the
21 period at the end of subparagraph (F) and inserting “,
22 and”, and by adding at the end the following new subpara-
23 graph:

24 “(G) section 530A(h) (relating to MAGA
25 accounts).”.

1 (f) CONFORMING AMENDMENT.—The table of parts
2 for subchapter F of chapter 1 is amended by adding at
3 the end the following new item:

“PART IX. MAGA ACCOUNTS”.

4 (g) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2024.

7 **SEC. 110116. MAGA ACCOUNTS CONTRIBUTION PILOT PRO-**
8 **GRAM.**

9 (a) IN GENERAL.—Subchapter B of chapter 65 is
10 amended by adding at the end the following new section:

11 **“SEC. 6434. MAGA ACCOUNTS CONTRIBUTION PILOT PRO-**
12 **GRAM.**

13 “(a) IN GENERAL.—In the case of any taxpayer with
14 respect to whom an eligible individual is a qualifying child,
15 there shall be allowed a one-time credit of \$1,000 with
16 respect to each such eligible individual who is a qualifying
17 child of such taxpayer which shall be payable by the Sec-
18 retary only to the MAGA account with respect to which
19 such eligible individual is the account beneficiary.

20 “(b) ACCOUNT ESTABLISHED BY SECRETARY.—

21 “(1) IN GENERAL.—In the case of any eligible
22 individual that the Secretary determines is not the
23 account beneficiary of any MAGA account as of the
24 qualifying date of such eligible individual, the Sec-

1 retary shall establish an account for the benefit of
2 such eligible individual.

3 “(2) QUALIFYING DATE.—For purposes of
4 paragraph (1), the term ‘qualifying date’ means,
5 with respect to an eligible individual, the first date
6 on which a return of tax is filed by an individual
7 with respect to whom such eligible individual is a
8 qualifying child with respect to the taxable year to
9 which such return relates.

10 “(3) NOTIFICATION.—In the case of any eligible
11 individual for the benefit of whom the Secretary es-
12 tablishes an account under paragraph (1), the Sec-
13 retary shall—

14 “(A) notify any individual with respect to
15 whom such eligible individual is a qualifying
16 child for the taxable year described in para-
17 graph (2) of the establishment of such account,
18 and

19 “(B) shall provide an opportunity to such
20 individual to elect to decline the application of
21 this subsection to such qualifying child.

22 “(4) DETERMINATION OF DEFAULT TRUST-
23 EE.—For purposes of selecting a trustee for an ac-
24 count established under paragraph (1), the Sec-
25 retary shall take into account—

1 “(A) the history of reliability and regu-
2 latory compliance of such trustee,

3 “(B) the customer service experience of
4 such trustee,

5 “(C) the costs imposed by such trustee on
6 the account or account beneficiary, and

7 “(D) to the extent practicable, the pref-
8 erences of any individual described in para-
9 graph (3)(A) with respect to such eligible indi-
10 vidual.

11 “(c) ELIGIBLE INDIVIDUAL.—For purposes of sub-
12 section (a), the term eligible individual means an indi-
13 vidual—

14 “(1) who is born after December 31, 2024, and
15 before January 1, 2029, and

16 “(2) who is a United States citizen at birth.

17 “(d) SOCIAL SECURITY NUMBER REQUIRED.—

18 “(1) IN GENERAL.—No credit shall be allowed
19 under subsection (a) to a taxpayer unless such tax-
20 payer includes on the return of tax for the taxable
21 year—

22 “(A) such individual’s social security num-
23 ber,

1 “(B) if such individual is married, the so-
2 cial security number of such individual’s spouse,
3 and

4 “(C) the social security number of the eli-
5 gible individual with respect to whom such cred-
6 it is allowed.

7 “(2) SOCIAL SECURITY NUMBER DEFINED.—
8 For purposes of paragraph (1), the term ‘social se-
9 curity number’ shall have the meaning given such
10 term in section 24(h)(7).

11 “(e) DEFINITIONS.—For purposes of this section—

12 “(1) QUALIFYING CHILD.—The term qualifying
13 child has the meaning given such term in section
14 152(c).

15 “(2) MAGA ACCOUNT; ACCOUNT BENE-
16 FICIARY.—The terms ‘MAGA account’ and ‘account
17 beneficiary’ have the meaning given such terms in
18 section 530A(b).”.

19 (b) PENALTY FOR NEGLIGENT CLAIM OR FRAUDU-
20 LENT CLAIM.—Part I of subchapter A of chapter 68 of
21 subtitle F is amended by adding at the end the following
22 new section:

1 **“SEC. 6659. IMPROPER CLAIM FOR MAGA ACCOUNT CON-**
2 **TRIBUTION PILOT PROGRAM CREDIT.**

3 “(a) IN GENERAL.—In the case of any taxpayer that
4 makes an excessive claim for a credit under section
5 6434—

6 “(1) if such excess is a result of negligence or
7 disregard of the rules or regulations, there shall be
8 imposed a penalty of \$500, or

9 “(2) if such excess is a result of fraud, there
10 shall be imposed a penalty of \$1,000.

11 “(b) DEFINITIONS.—The terms ‘negligence’ and ‘dis-
12 regard’ have the same meaning as when such terms are
13 used in section 6662.”.

14 (c) OMISSION OF CORRECT SOCIAL SECURITY NUM-
15 BER TREATED MATHEMATICAL OR CLERICAL ERROR.—
16 Section 6213(g)(2), as amended by the preceding provi-
17 sions of this Act, is amended by striking “and” at the
18 end of subparagraph (Y), by striking the period at the
19 end of subparagraph (Z) and inserting “, and” , and by
20 inserting after subparagraph (Z) the following new sub-
21 paragraph:

22 “(AA) an omission of a correct social secu-
23 rity number required under section 6434(d)(1)
24 (relating to the MAGA accounts contribution
25 pilot program).”.

26 (d) CLERICAL AMENDMENTS.—

1 (1) The table of sections for subchapter B of
2 chapter 65 is amended by adding at the end the fol-
3 lowing new item:

“Sec. 6434. MAGA accounts contribution pilot program.”.

4 (2) The table of sections for part I of sub-
5 chapter A of chapter 68 of subtitle F is amended by
6 inserting after the item relating to section 6658 the
7 following new item:

“Sec. 6659. Improper claim for MAGA account contribution pilot program credit.”.

8 (e) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2024.

11 **PART 3—INVESTING IN HEALTH OF AMERICAN**

12 **FAMILIES AND WORKERS**

13 **SEC. 110201. TREATMENT OF HEALTH REIMBURSEMENT AR-**

14 **RANGEMENTS INTEGRATED WITH INDI-**

15 **VIDUAL MARKET COVERAGE.**

16 (a) IN GENERAL.—Section 9815(b) is amended—

17 (1) by striking “EXCEPTION.—Notwithstanding
18 subsection (a)” and inserting the following: “EXCEP-
19 TIONS.—

20 “(1) SELF-INSURED GROUP HEALTH PLANS.—

21 Notwithstanding subsection (a)”, and

22 (2) by adding at the end the following new
23 paragraph:

1 “(2) CUSTOM HEALTH OPTION AND INDIVIDUAL
2 CARE EXPENSE ARRANGEMENTS.—

3 “(A) IN GENERAL.—For purposes of this
4 subchapter, a custom health option and indi-
5 vidual care expense arrangement shall be treat-
6 ed as meeting the requirements of section 9802
7 and sections 2705, 2711, 2713, and 2715 of
8 title XXVII of the Public Health Service Act.

9 “(B) CUSTOM HEALTH OPTION AND INDI-
10 VIDUAL CARE EXPENSE ARRANGEMENTS DE-
11 FINED.—For purposes of this section, the term
12 ‘custom health option and individual care ex-
13 pense arrangement’ means a health reimburse-
14 ment arrangement—

15 “(i) which is an employer-provided
16 group health plan funded solely by em-
17 ployer contributions to provide payments
18 or reimbursements for medical care subject
19 to a maximum fixed dollar amount for a
20 period,

21 “(ii) under which such payments or
22 reimbursements may only be made for
23 medical care provided during periods dur-
24 ing which the individual is covered—

1 “(I) under individual health in-
2 surance coverage (other than coverage
3 that consists solely of excepted bene-
4 fits), or

5 “(II) under part A and B of title
6 XVIII of the Social Security Act or
7 part C of such title,

8 “(iii) which meets the nondiscrimina-
9 tion requirements of subparagraph (C),

10 “(iv) which meets the substantiation
11 requirements of subparagraph (D), and

12 “(v) which meets the notice require-
13 ments of subparagraph (E).

14 “(C) NONDISCRIMINATION.—

15 “(i) IN GENERAL.—An arrangement
16 meets the requirements of this subpara-
17 graph if an employer offering such ar-
18 rangement to an employee within a speci-
19 fied class of employee—

20 “(I) offers such arrangement to
21 all employees within such specified
22 class on the same terms, and

23 “(II) does not offer any other
24 group health plan (other than an ac-
25 count-based group health plan or a

1 group health plan that consists solely
2 of excepted benefits) to any employees
3 within such specified class.

4 In the case of an employer who offers a
5 group health plan provided through health
6 insurance coverage in the small group mar-
7 ket (that is subject to section 2701 of the
8 Public Health Service Act) to all employees
9 within such specified class, subclause (II)
10 shall not apply to such group health plan.

11 “(ii) SPECIFIED CLASS OF EM-
12 PLOYEE.—For purposes of this subpara-
13 graph, any of the following may be des-
14 ignated as a specified class of employee:

15 “(I) Full-time employees.

16 “(II) Part-time employees.

17 “(III) Salaried employees.

18 “(IV) Non-salaried employees.

19 “(V) Employees whose primary
20 site of employment is in the same rat-
21 ing area.

22 “(VI) Employees who are in-
23 cluded in a unit of employees covered
24 under a collective bargaining agree-
25 ment to which the employer is subject

1 (determined under rules similar to the
2 rules of section 105(h)).

3 “(VII) Employees who have not
4 met a group health plan, or health in-
5 surance issuer offering group health
6 insurance coverage, waiting period re-
7 quirement that satisfies section 2708
8 of the Public Health Service Act.

9 “(VIII) Seasonal employees.

10 “(IX) Employees who are non-
11 resident aliens and who receive no
12 earned income (within the meaning of
13 section 911(d)(2)) from the employer
14 which constitutes income from sources
15 within the United States (within the
16 meaning of section 861(a)(3)).

17 “(X) Such other classes of em-
18 ployees as the Secretary may des-
19 ignate.

20 An employer may designate (in such man-
21 ner as is prescribed by the Secretary) two
22 or more of the classes described in the pre-
23 ceding subclauses as the specified class of
24 employees to which the arrangement is of-

1 ferred for purposes of applying this sub-
2 paragraph.

3 “(iii) SPECIAL RULE FOR NEW
4 HIRES.—An employer may designate pro-
5 spectively so much of a specified class of
6 employees as are hired after a date set by
7 the employer. Such subclass of employees
8 shall be treated as the specified class for
9 purposes of applying clause (i).

10 “(iv) RULES FOR DETERMINING TYPE
11 OF EMPLOYEE.—For purposes for clause
12 (ii), any determination of full-time, part-
13 time, or seasonal employment status shall
14 be made under rules similar to the rules of
15 section 105(h) or 4980H, whichever the
16 employer elects for the plan year. Such
17 election shall apply with respect to all em-
18 ployees of the employer for the plan year.

19 “(v) PERMITTED VARIATION.—For
20 purposes of clause (i)(I), an arrangement
21 shall not fail to be treated as provided on
22 the same terms within a specified class
23 merely because the maximum dollar
24 amount of payments and reimbursements
25 which may be made under the terms of the

1 arrangement for the year with respect to
2 each employee within such class—

3 “(I) increases as additional de-
4 pendents of the employee are covered
5 under the arrangement, and

6 “(II) increases with respect to a
7 participant as the age of the partici-
8 pant increases, but not in excess of an
9 amount equal to 300 percent of the
10 lowest maximum dollar amount with
11 respect to such a participant deter-
12 mined without regard to age.

13 “(D) SUBSTANTIATION REQUIREMENTS.—
14 An arrangement meets the requirements of this
15 subparagraph if the arrangement has reason-
16 able procedures to substantiate—

17 “(i) that the participant and any de-
18 pendents are, or will be, enrolled in cov-
19 erage described in subparagraph (B)(ii) as
20 of the beginning of the plan year of the ar-
21 rangement (or as of the beginning of cov-
22 erage under the arrangement in the case of
23 an employee who first becomes eligible to
24 participate in the arrangement after the
25 date notice is given with respect to the

1 plan under subparagraph (E) (determined
2 without regard to clause (iii) thereof), and

3 “(ii) any requests made for payment
4 or reimbursement of medical care under
5 the arrangement and that the participant
6 and any dependents remain so enrolled.

7 “(E) NOTICE.—

8 “(i) IN GENERAL.—Except as pro-
9 vided in clause (iii), an arrangement meets
10 the requirements of this subparagraph if,
11 under the arrangement, each employee eli-
12 gible to participate is, not later than 60
13 days before the beginning of the plan year,
14 given written notice of the employee’s
15 rights and obligations under the arrange-
16 ment which—

17 “(I) is sufficiently accurate and
18 comprehensive to apprise the employee
19 of such rights and obligations, and

20 “(II) is written in a manner cal-
21 culated to be understood by the aver-
22 age employee eligible to participate.

23 “(ii) NOTICE REQUIREMENTS.—Such
24 notice shall include such information as the
25 Secretary may by regulation prescribe.

1 “(iii) NOTICE DEADLINE FOR CER-
2 TAIN EMPLOYEES.—In the case of an em-
3 ployee—

4 “(I) who first becomes eligible to
5 participate in the arrangement after
6 the date notice is given with respect
7 to the plan under clause (i) (deter-
8 mined without regard to this clause),
9 or

10 “(II) whose employer is first es-
11 tablished fewer than 120 days before
12 the beginning of the first plan year of
13 the arrangement,

14 the requirements of this subparagraph
15 shall be treated as met if the notice re-
16 quired under clause (i) is provided not
17 later than the date the arrangement may
18 take effect with respect to such em-
19 ployee.”.

20 (b) INCLUSION OF CHOICE ARRANGMENT PER-
21 MITTED BENEFITS ON W-2.—

22 (1) IN GENERAL.—Section 6051(a), as amend-
23 ed by the preceding provisions of this Act, is amend-
24 ed by striking “and” at the end of paragraph (17),
25 by striking the period at the end of paragraph (18)

1 and inserting “, and”, and by inserting after para-
2 graph (18) the following new paragraph:

3 “(19) the total amount of permitted benefits for
4 enrolled individuals under a custom health option
5 and individual care expense arrangement (as defined
6 in section 9815(b)(2)) with respect to such em-
7 ployee.”.

8 (c) TREATMENT OF CURRENT RULES RELATING TO
9 CERTAIN ARRANGEMENTS.—

10 (1) NO INFERENCE.—To the extent not incon-
11 sistent with the amendments made by this section—

12 (A) no inference shall be made from such
13 amendments with respect to the rules pre-
14 scribed in the Federal Register on June 20,
15 2019, (84 Fed. Reg. 28888) relating to health
16 reimbursement arrangements and other ac-
17 count-based group health plans, and

18 (B) any reference to custom health option
19 and individual care expense arrangements shall
20 for purposes of such rules be treated as includ-
21 ing a reference to individual coverage health re-
22 imbursement arrangements.

23 (2) OTHER CONFORMING OF RULES.—The Sec-
24 retary of the Treasury, the Secretary of Health and
25 Human Services, and the Secretary of Labor shall

1 modify such rules as may be necessary to conform
2 to the amendments made by this section.

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to plan years beginning after De-
5 cember 31, 2025.

6 **SEC. 110202. PARTICIPANTS IN CHOICE ARRANGEMENT ELI-**
7 **GIBLE FOR PURCHASE OF EXCHANGE INSUR-**
8 **ANCE UNDER CAFETERIA PLAN.**

9 (a) IN GENERAL.—Section 125(f)(3) is amended by
10 adding at the end the following new subparagraph:

11 “(C) EXCEPTION FOR PARTICIPANTS IN
12 CHOICE ARRANGEMENT.—Subparagraph (A)
13 shall not apply in the case of an employee par-
14 ticipating in a custom health option and indi-
15 vidual care expense arrangement (within the
16 meaning of section 9815(b)(2)) offered by the
17 employee’s employer.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2025.

21 **SEC. 110203. EMPLOYER CREDIT FOR CHOICE ARRANGE-**
22 **MENT.**

23 (a) IN GENERAL.—Subpart D of part IV of sub-
24 chapter A of chapter 1 is amended by adding at the end
25 the following new section:

1 **“SEC. 45BB. EMPLOYER CREDIT FOR CHOICE ARRANGE-**
2 **MENT.**

3 “(a) IN GENERAL.—For purposes of section 38, in
4 the case of an eligible employer, the CHOICE arrange-
5 ment credit determined under this section for any taxable
6 year is an amount, with respect to each employee enrolled
7 during the credit period in a CHOICE arrangement main-
8 tained by the employer, equal to—

9 “(1) \$100 multiplied by the number of months
10 for which the employee is so enrolled during the first
11 year in the credit period, and

12 “(2) one-half of the dollar amount in effect
13 under paragraph (1) for the taxable year, multiplied
14 by the number of months for which the employee is
15 so enrolled during the second year of the credit pe-
16 riod.

17 “(b) ARRANGEMENT MUST CONSTITUTE MINIMUM
18 ESSENTIAL COVERAGE.—An employee shall not be taken
19 into account under subsection (a) unless such employee’s
20 eligibility for the CHOICE arrangement (determined with-
21 out regard to the employee being enrolled) would cause
22 the employee to be treated under section 36B(c)(2) as
23 being eligible for minimum essential coverage consisting
24 of an eligible employer-sponsored plan (as defined in sec-
25 tion 5000A(f)(2)).

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

1 “(1) CHOICE ARRANGEMENT.—The term
2 ‘CHOICE arrangement’ means a custom health op-
3 tion and individual care expense arrangement (as de-
4 fined in section 9815(b)(2)(B)).

5 “(2) CREDIT PERIOD.—The credit period with
6 respect to an eligible employer is the first 2 one-year
7 periods beginning with the month during which the
8 employer first establishes a CHOICE arrangement
9 on behalf of employees of the employer.

10 “(3) ELIGIBLE EMPLOYER.—The term ‘eligible
11 employer’ means, with respect to any taxable year
12 beginning in a calendar year, an employer who is not
13 an applicable large employer for the calendar year
14 under section 4980H.

15 “(d) INFLATION ADJUSTMENT.—

16 “(1) IN GENERAL.—In the case of any taxable
17 year beginning in a calendar year after 2026, the
18 dollar amount in subsection (a) shall be increased by
19 an amount equal to—

20 “(A) such dollar amount, multiplied by

21 “(B) the cost-of-living adjustment deter-
22 mined under section 1(f)(3) for the calendar
23 year in which such taxable year begins by sub-
24 stituting ‘calendar year 2025’ for ‘calendar year
25 2016’ in subparagraph (A)(ii) thereof.

1 “(2) ROUNDING.—If any amount after adjust-
2 ment under paragraph (1) is not a multiple of \$10,
3 such amount shall be rounded to the next lower mul-
4 tiple of \$10.”.

5 (b) CREDIT MADE PART OF GENERAL BUSINESS
6 CREDIT.—Section 38(b) is amended by striking “plus” at
7 the end of paragraph (40), by striking the period at the
8 end of paragraph (41) and inserting “, plus”, and by add-
9 ing at the end the following new paragraph:

10 “(42) the CHOICE arrangement credit deter-
11 mined under section 45BB(a).”.

12 (c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
13 IMUM TAX.—Section 38(c)(4)(B) is amended—

14 (1) by redesignating clauses (x), (xi), and (xii)
15 as clauses (xi), (xii), and (xiii), respectively, and

16 (2) by inserting after clause (ix) the following
17 new clause:

18 “(x) the credit determined under sec-
19 tion 45BB,”.

20 (d) CLERICAL AMENDMENT.—The table of sections
21 for subpart D of part IV of subchapter A of chapter 1
22 is amended by adding at the end the following new item:

 “Sec. 45BB. Employer credit for CHOICE arrangement.”.

23 (e) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years beginning after
25 December 31, 2025.

1 **SEC. 110204. INDIVIDUALS ENTITLED TO PART A OF MEDI-**
2 **CARE BY REASON OF AGE ALLOWED TO CON-**
3 **TRIBUTE TO HEALTH SAVINGS ACCOUNTS.**

4 (a) IN GENERAL.—Section 223(c)(1)(B) is amended
5 by striking “and” at the end of clause (ii), by striking
6 the period at the end of clause (iii) and inserting “, and”,
7 and by adding at the end the following new clause:

8 “(iv) entitlement to hospital insurance
9 benefits under part A of title XVIII of the
10 Social Security Act by reason of section
11 226(a) of such Act.”.

12 (b) TREATMENT OF HEALTH INSURANCE PUR-
13 CHASED FROM ACCOUNT.—Section 223(d)(2)(C)(iv) is
14 amended by inserting “and who is not an eligible indi-
15 vidual” after “who has attained the age specified in sec-
16 tion 1811 of the Social Security Act”.

17 (c) COORDINATION WITH PENALTY ON DISTRIBU-
18 TIONS NOT USED FOR QUALIFIED MEDICAL EX-
19 PENSES.—Section 223(f)(4)(C) is amended by striking
20 “Subparagraph (A)” and inserting “Except in the case of
21 an eligible individual, subparagraph (A)”

22 (d) CONFORMING AMENDMENT.—Section 223(b)(7)
23 is amended by inserting “(other than an entitlement to
24 benefits described in subsection (c)(1)(B)(iv))” after “So-
25 cial Security Act”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to months beginning after Decem-
3 ber 31, 2025.

4 **SEC. 110205. TREATMENT OF DIRECT PRIMARY CARE SERV-**
5 **ICE ARRANGEMENTS.**

6 (a) IN GENERAL.—Section 223(c)(1) is amended by
7 adding at the end the following new subparagraph:

8 “(E) TREATMENT OF DIRECT PRIMARY
9 CARE SERVICE ARRANGEMENTS.—

10 “(i) IN GENERAL.—A direct primary
11 care service arrangement shall not be
12 treated as a health plan for purposes of
13 subparagraph (A)(ii).

14 “(ii) DIRECT PRIMARY CARE SERVICE
15 ARRANGEMENT.—For purposes of this sub-
16 paragraph—

17 “(I) IN GENERAL.—The term ‘di-
18 rect primary care service arrange-
19 ment’ means, with respect to any indi-
20 vidual, an arrangement under which
21 such individual is provided medical
22 care (as defined in section 213(d))
23 consisting solely of primary care serv-
24 ices provided by primary care practi-
25 tioners (as defined in section

1 1833(x)(2)(A) of the Social Security
2 Act, determined without regard to
3 clause (ii) thereof), if the sole com-
4 pensation for such care is a fixed peri-
5 odic fee.

6 “(II) LIMITATION.—With respect
7 to any individual for any month, such
8 term shall not include any arrange-
9 ment if the aggregate fees for all di-
10 rect primary care service arrange-
11 ments (determined without regard to
12 this subclause) with respect to such
13 individual for such month exceed
14 \$150 (twice such dollar amount in the
15 case of an individual with any direct
16 primary care service arrangement (as
17 so determined) that covers more than
18 one individual).

19 “(iii) CERTAIN SERVICES SPECIFI-
20 CALLY EXCLUDED FROM TREATMENT AS
21 PRIMARY CARE SERVICES.—For purposes
22 of this subparagraph, the term ‘primary
23 care services’ shall not include—

24 “(I) procedures that require the
25 use of general anesthesia,

1 “(II) prescription drugs (other
2 than vaccines), and

3 “(III) laboratory services not
4 typically administered in an ambula-
5 tory primary care setting.

6 The Secretary, after consultation with the
7 Secretary of Health and Human Services,
8 shall issue regulations or other guidance
9 regarding the application of this clause.”.

10 (b) DIRECT PRIMARY CARE SERVICE ARRANGEMENT
11 FEES TREATED AS MEDICAL EXPENSES.—Section
12 223(d)(2)(C) is amended by striking “or” at the end of
13 clause (iii), by striking the period at the end of clause (iv)
14 and inserting “, or”, and by adding at the end the fol-
15 lowing new clause:

16 “(v) any direct primary care service
17 arrangement.”.

18 (c) INFLATION ADJUSTMENT.—Section 223(g)(1) is
19 amended—

20 (1) by inserting “, (e)(1)(E)(ii)(II),” after
21 “(b)(2)” each place it appears, and

22 (2) in subparagraph (B), by striking “clause
23 (ii)” in clause (i) and inserting “clauses (ii) and
24 (iii)” , by striking “and” at the end of clause (i), by
25 striking the period at the end of clause (ii) and in-

1 serting “, and”, and by inserting after clause (ii) the
2 following new clause:

3 “(iii) in the case of the dollar amount
4 in subsection (e)(1)(E)(ii)(II) for taxable
5 years beginning in calendar years after
6 2026, ‘calendar year 2025’.”.”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to months beginning after Decem-
9 ber 31, 2025.

10 **SEC. 110206. ALLOWANCE OF BRONZE AND CATASTROPHIC**
11 **PLANS IN CONNECTION WITH HEALTH SAV-**
12 **INGS ACCOUNTS.**

13 (a) IN GENERAL.—Section 223(e)(2) is amended by
14 adding at the end the following new subparagraph:

15 “(H) BRONZE AND CATASTROPHIC PLANS
16 TREATED AS HIGH DEDUCTIBLE HEALTH
17 PLANS.—The term ‘high deductible health plan’
18 shall include any plan—

19 “(i) available as individual coverage
20 through an Exchange established under
21 section 1311 or 1321 of the Patient Pro-
22 tection and Affordable Care Act, and

23 “(ii) described in subsection (d)(1)(A)
24 or (e) of section 1302 of such Act.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to months beginning after Decem-
3 ber 31, 2025.

4 **SEC. 110207. ON-SITE EMPLOYEE CLINICS.**

5 (a) IN GENERAL.—Section 223(c)(1), as amended by
6 the preceding provisions of this Act, is amended by adding
7 at the end the following new subparagraph:

8 “(F) SPECIAL RULE FOR QUALIFIED ITEMS
9 AND SERVICES.—

10 “(i) IN GENERAL.—For purposes of
11 subparagraph (A)(ii), an individual shall
12 not be treated as covered under a health
13 plan described in subclauses (I) and (II) of
14 such subparagraph merely because the in-
15 dividual is eligible to receive, or receives,
16 qualified items and services—

17 “(I) at a healthcare facility lo-
18 cated at a facility owned or leased by
19 the employer of the individual (or of
20 the individual’s spouse), or

21 “(II) at a healthcare facility op-
22 erated primarily for the benefit of em-
23 ployees of the employer of the indi-
24 vidual (or of the individual’s spouse).

1 “(ii) QUALIFIED ITEMS AND SERVICES
2 DEFINED.—For purposes of this subpara-
3 graph, the term ‘qualified items and serv-
4 ices’ means the following:

5 “(I) Physical examination.

6 “(II) Immunizations, including
7 injections of antigens provided by em-
8 ployees.

9 “(III) Drugs or biologicals other
10 than a prescribed drug (as such term
11 is defined in section 213(d)(3)).

12 “(IV) Treatment for injuries oc-
13 curring in the course of employment.

14 “(V) Preventive care for chronic
15 conditions (as defined in clause (iv)).

16 “(VI) Drug testing.

17 “(VII) Hearing or vision
18 screenings and related services.

19 “(iii) AGGREGATION.—For purposes
20 of clause (i), all persons treated as a single
21 employer under subsection (b), (c), (m), or
22 (o) of section 414 shall be treated as a sin-
23 gle employer.

24 “(iv) PREVENTIVE CARE FOR CHRON-
25 IC CONDITIONS.—For purposes of this sub-

1 paragraph, the term ‘preventive care for
2 chronic conditions’ means any item or
3 service specified in the Appendix of Inter-
4 nal Revenue Service Notice 2019–45 which
5 is prescribed to treat an individual diag-
6 nosed with the associated chronic condition
7 specified in such Appendix for the purpose
8 of preventing the exacerbation of such
9 chronic condition or the development of a
10 secondary condition, including any amend-
11 ment, addition, removal, or other modifica-
12 tion made by the Secretary (pursuant to
13 the authority granted to the Secretary
14 under paragraph (2)(C)) to the items or
15 services specified in such Appendix subse-
16 quent to the date of publication of such
17 Notice.”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to months in taxable years begin-
20 ning after December 31, 2025.

21 **SEC. 110208. CERTAIN AMOUNTS PAID FOR PHYSICAL AC-**
22 **TIVITY, FITNESS, AND EXERCISE TREATED AS**
23 **AMOUNTS PAID FOR MEDICAL CARE.**

24 (a) IN GENERAL.—Section 223(d)(2)(A) is amended
25 by adding at the end the following: “For purposes of this

1 subparagraph, amounts paid for qualified sports and fit-
2 ness expenses shall be treated as paid for medical care.”.

3 (b) QUALIFIED SPORTS AND FITNESS EXPENSES.—
4 Section 223(d)(2) is amended by adding at the end the
5 following new subparagraph:

6 “(E) QUALIFIED SPORTS AND FITNESS EX-
7 PENSES.—For purposes of this paragraph—

8 “(i) IN GENERAL.—The term ‘quali-
9 fied sports and fitness expenses’ means
10 amounts paid exclusively for the sole pur-
11 pose of participating in a physical activity
12 including—

13 “(I) for membership at a fitness
14 facility, or

15 “(II) for participation or instruc-
16 tion in physical exercise or physical
17 activity.

18 “(ii) OVERALL DOLLAR LIMITA-
19 TION.—

20 “(I) IN GENERAL.—The aggre-
21 gate amount treated as qualified
22 sports and fitness expenses with re-
23 spect to any taxpayer for any taxable
24 year shall not exceed \$500 (\$1,000 in
25 the case of a joint return or a head of

1 household (as defined in section
2 2(b)).

3 “(II) MONTHLY LIMIT.—The
4 amount taken into account under sub-
5 paragraph (A) as paid for partici-
6 pating in a physical activity during a
7 month beginning during the taxable
8 year shall not exceed an amount equal
9 to 1/12 of the amount in effect with
10 respect to the taxpayer for the taxable
11 year under subclause (I).

12 “(iii) FITNESS FACILITY.—For pur-
13 poses of clause (i)(I), the term ‘fitness fa-
14 cility’ means a facility—

15 “(I) which provides instruction in
16 a program of physical exercise, offers
17 facilities for the preservation, mainte-
18 nance, encouragement, or development
19 of physical fitness, or serves as the
20 site of such a program of a State or
21 local government,

22 “(II) which is not a private club
23 owned and operated by its members,

24 “(III) which does not offer golf,
25 hunting, sailing, or riding facilities,

1 “(IV) the health or fitness com-
2 ponent of which is not incidental to its
3 overall function and purpose, and

4 “(V) which is fully compliant
5 with the State of jurisdiction and
6 Federal anti-discrimination laws.

7 “(iv) TREATMENT OF PERSONAL
8 TRAINERS, EXERCISE VIDEOS, ETC.—The
9 term ‘qualified sports and fitness expenses’
10 shall not include any amount paid for—

11 “(I) videos, books, or similar ma-
12 terials,

13 “(II) remote or virtual instruc-
14 tion in a physical exercise or physical
15 activity, unless such instruction is live,
16 or

17 “(III) one-on-one personal train-
18 ing.

19 “(v) PROGRAMS WHICH INCLUDE
20 COMPONENTS OTHER THAN PHYSICAL EX-
21 ERCISE AND PHYSICAL ACTIVITY.—Rules
22 similar to the rules of section 213(d)(6)
23 shall apply in the case of any program that
24 includes physical exercise or physical activ-
25 ity and also other components. For pur-

1 poses of the preceding sentence, travel and
2 accommodations shall be treated as a sepa-
3 rate component.

4 “(vi) MEMBERSHIP, PARTICIPATION,
5 AND INSTRUCTION MUST BE CON-
6 TINUING.—An amount shall not be treated
7 as paid for the purpose of participating in
8 a physical activity unless—

9 “(I) in the case of a membership
10 at a fitness facility, such membership
11 is for more than 1 day, and

12 “(II) in the case of participation
13 or instruction in physical exercise or
14 physical activity, the amount paid
15 constitutes payment for more than 1
16 occasion of such participation or in-
17 struction.

18 “(vii) COST-OF-LIVING ADJUST-
19 MENT.—In the case of any taxable year be-
20 ginning in a calendar year after 2026, each
21 dollar amount in clause (ii)(I) shall be in-
22 creased by an amount equal to—

23 “(I) such dollar amount, multi-
24 plied by

1 “(II) the cost-of-living adjust-
2 ment determined under section 1(f)(3)
3 for the calendar year in which such
4 taxable year begins by substituting
5 ‘calendar year 2025’ for ‘calendar
6 year 2016’ in subparagraph (A)(ii)
7 thereof.

8 If any increase under the preceding sen-
9 tence is not a multiple of \$50, such in-
10 crease shall be rounded to the nearest mul-
11 tiple of \$50.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2025.

15 **SEC. 110209. ALLOW BOTH SPOUSES TO MAKE CATCH-UP**
16 **CONTRIBUTIONS TO THE SAME HEALTH SAV-**
17 **INGS ACCOUNT.**

18 (a) IN GENERAL.—Section 223(b)(5) is amended to
19 read as follows:

20 “(5) SPECIAL RULE FOR MARRIED INDIVIDUALS
21 WITH FAMILY COVERAGE.—

22 “(A) IN GENERAL.—In the case of individ-
23 uals who are married to each other, if both
24 spouses are eligible individuals and either
25 spouse has family coverage under a high de-

1 ductible health plan as of the first day of any
2 month—

3 “(i) the limitation under paragraph
4 (1) shall be applied by not taking into ac-
5 count any other high deductible health
6 plan coverage of either spouse (and if such
7 spouses both have family coverage under
8 separate high deductible health plans, only
9 one such coverage shall be taken into ac-
10 count),

11 “(ii) such limitation (after application
12 of clause (i)) shall be reduced by the ag-
13 gregate amount paid to Archer MSAs of
14 such spouses for the taxable year, and

15 “(iii) such limitation (after application
16 of clauses (i) and (ii)) shall be divided
17 equally between such spouses unless they
18 agree on a different division.

19 “(B) TREATMENT OF ADDITIONAL CON-
20 TRIBUTION AMOUNTS.—If both spouses referred
21 to in subparagraph (A) have attained age 55
22 before the close of the taxable year, the limita-
23 tion referred to in subparagraph (A)(iii) which
24 is subject to division between the spouses shall
25 include the additional contribution amounts de-

1 terminated under paragraph (3) for both spouses.
2 In any other case, any additional contribution
3 amount determined under paragraph (3) shall
4 not be taken into account under subparagraph
5 (A)(iii) and shall not be subject to division be-
6 tween the spouses.”.

7 (b) **EFFECTIVE DATE.**—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2025.

10 **SEC. 110210. FSA AND HRA TERMINATIONS OR CONVER-**
11 **SIONS TO FUND HSAs.**

12 (a) **IN GENERAL.**—Section 106(e)(2) is amended to
13 read as follows:

14 “(2) **QUALIFIED HSA DISTRIBUTION.**—For
15 purposes of this subsection—

16 “(A) **IN GENERAL.**—The term ‘qualified
17 HSA distribution’ means, with respect to any
18 employee, a distribution from a health flexible
19 spending arrangement or health reimbursement
20 arrangement of such employee contributed di-
21 rectly to a health savings account of such em-
22 ployee if—

23 “(i) such distribution is made in con-
24 nection with such employee establishing
25 coverage under a high deductible health

1 plan (as defined in section 223(c)(2)) if
2 during the 4-year period preceding the
3 date the employee so establishes coverage
4 the employee was not covered under such
5 a high deductible health plan, and

6 “(ii) such arrangement is described in
7 section 223(c)(1)(B)(v) with respect to any
8 portion of the plan year remaining after
9 such distribution is made, if such employee
10 remains enrolled in such arrangement.

11 “(B) DOLLAR LIMITATION.—The aggregate
12 amount of distributions from health flexible
13 spending arrangements and health reimbursement
14 arrangements of any employee which
15 may be treated as qualified HSA distributions
16 in connection with an establishment of coverage
17 described in subparagraph (A)(i) shall not exceed
18 the dollar amount in effect under section
19 125(i)(1) (twice such amount in the case of coverage
20 which is described in section
21 223(b)(2)(B)).”.

22 (b) PARTIAL REDUCTION OF LIMITATION ON DEDUCTIBLE
23 HSA CONTRIBUTIONS.—Section 223(b)(4) is
24 amended by striking “and” at the end of subparagraph
25 (B), by striking the period at the end of subparagraph

1 (C) and inserting “, and”, and by inserting after subpara-
2 graph (C) the following new subparagraph:

3 “(D) so much of any qualified HSA dis-
4 tribution (as defined in section 106(e)(2)) made
5 to a health savings account of such individual
6 during the taxable year as does not exceed the
7 aggregate increases in the balance of the ar-
8 rangement from which such distribution is
9 made which occur during the portion of the
10 plan year which precedes such distribution
11 (other than any balance carried over to such
12 plan year and determined without regard to any
13 decrease in such balance during such portion of
14 the plan year).”.

15 (c) CONVERSION TO HSA-COMPATIBLE ARRANGE-
16 MENT FOR REMAINDER OF PLAN YEAR.—Section
17 223(c)(1)(B), as amended by this preceding provisions of
18 this Act, is amended by striking “and” at the end of clause
19 (iii), by striking the period at the end of clause (iv) and
20 inserting “, and”, and by adding at the end the following
21 new clause:

22 “(v) coverage under a health flexible
23 spending arrangement or health reimburse-
24 ment arrangement for the portion of the
25 plan year after a qualified HSA distribu-

1 tion (as defined in section 106(e)(2) deter-
2 mined without regard to subparagraph
3 (A)(ii) thereof) is made, if the terms of
4 such arrangement which apply for such
5 portion of the plan year are such that, if
6 such terms applied for the entire plan
7 year, then such arrangement would not be
8 taken into account under subparagraph
9 (A)(ii) of this paragraph for such plan
10 year.”.

11 (d) INCLUSION OF QUALIFIED HSA DISTRIBUTIONS
12 ON W-2.—

13 (1) IN GENERAL.—Section 6051(a), as amend-
14 ed by the preceding provisions of this Act, is amend-
15 ed by striking “and” at the end of paragraph (18),
16 by striking the period at the end of paragraph (19)
17 and inserting “, and”, and by inserting after para-
18 graph (19) the following new paragraph:

19 “(20) the amount of any qualified HSA dis-
20 tribution (as defined in section 106(e)(2)) with re-
21 spect to such employee.”.

22 (2) CONFORMING AMENDMENT.—Section
23 6051(a)(12) is amended by inserting “(other than
24 any qualified HSA distribution, as defined in section
25 106(e)(2))” before the comma at the end.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to distributions made after Decem-
3 ber 31, 2025.

4 **SEC. 110211. SPECIAL RULE FOR CERTAIN MEDICAL EX-**
5 **PENSES INCURRED BEFORE ESTABLISHMENT**
6 **OF HEALTH SAVINGS ACCOUNT.**

7 (a) IN GENERAL.—Section 223(d)(2), as amended by
8 the preceding provisions of this Act, is amended by adding
9 at the end the following new subparagraph:

10 “(F) TREATMENT OF CERTAIN MEDICAL
11 EXPENSES INCURRED BEFORE ESTABLISHMENT
12 OF ACCOUNT.—If a health savings account is
13 established during the 60-day period beginning
14 on the date that coverage of the account bene-
15 ficiary under a high deductible health plan be-
16 gins, then, solely for purposes of determining
17 whether an amount paid is used for a qualified
18 medical expense, such account shall be treated
19 as having been established on the date that
20 such coverage begins.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply with respect to coverage beginning
23 after December 31, 2025.

1 **SEC. 110212. CONTRIBUTIONS PERMITTED IF SPOUSE HAS**
2 **HEALTH FLEXIBLE SPENDING ARRANGE-**
3 **MENT.**

4 (a) CONTRIBUTIONS PERMITTED IF SPOUSE HAS A
5 HEALTH FLEXIBLE SPENDING ARRANGEMENT.—Section
6 223(c)(1)(B), as amended by this preceding provisions of
7 this Act, is amended by striking “and” at the end of clause
8 (iv), by striking the period at the end of clause (v) and
9 inserting “, and”, and by adding at the end the following
10 new clause:

11 “(vi) coverage under a health flexible
12 spending arrangement of the spouse of the
13 individual for any plan year of such ar-
14 rangement if the aggregate reimburse-
15 ments under such arrangement for such
16 year do not exceed the aggregate expenses
17 which would be eligible for reimbursement
18 under such arrangement if such expenses
19 were determined without regard to any ex-
20 penses paid or incurred with respect to
21 such individual.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to plan years beginning after De-
24 cember 31, 2025.

1 **SEC. 110213. INCREASE IN HEALTH SAVINGS ACCOUNT CON-**
2 **TRIBUTION LIMITATION FOR CERTAIN INDI-**
3 **VIDUALS.**

4 (a) INCREASE.—

5 (1) IN GENERAL.—Section 223(b) is amended
6 by adding at the end the following new paragraph:

7 “(9) INCREASE IN LIMITATION FOR CERTAIN
8 TAXPAYERS.—

9 “(A) IN GENERAL.—The applicable limita-
10 tion under subparagraphs (A) and (B) of para-
11 graph (2) shall be increased by \$4,300 and
12 \$8,550, respectively.

13 “(B) LIMITATION BASED ON MODIFIED
14 ADJUSTED GROSS INCOME.—The amount of the
15 increase under subparagraph (A) (determined
16 without regard to this subparagraph) shall be
17 reduced (but not below zero) by the amount
18 which bears the same ratio to the amount of
19 such increase (as so determined) as—

20 “(i) the excess (if any) of—

21 “(I) the taxpayer’s adjusted
22 gross income for such taxable year,
23 over

24 “(II) \$75,000 (\$150,000 in the
25 case of a joint return, if the eligible

1 individual has family coverage), bears
2 to
3 “(ii) \$25,000 (\$50,000 in the case of
4 a joint return, if the eligible individual has
5 family coverage).

6 For purposes of the preceding sentence, ad-
7 justed gross income shall be determined in the
8 same manner as under section 219(g)(3)(A),
9 except determined without regard to any deduc-
10 tion allowed under this section.”.

11 (2) ONLY TO APPLY TO EMPLOYEE CONTRIBU-
12 TIONS.—Section 106(d)(1) is amended by inserting
13 “and section 223(b)(9)” after “determined without
14 regard to this subsection”.

15 (b) INFLATION ADJUSTMENT.—Section 223(g), as
16 amended by the preceding provisions of this Act, is amend-
17 ed—

18 (1) by inserting “, (b)(9)(A), (b)(9)(B)(i)(II),”
19 before “and (c)(2)(A)” each place it appears,

20 (2) by striking “clauses (ii) and (ii)” in para-
21 graph (1)(B)(i) and inserting “clauses (ii), (iii), and
22 (iv)”,

23 (3) by striking “and” at the end of paragraph
24 (1)(B)(ii),

1 (4) by striking the period at the end of para-
2 graph (1)(B)(iii) and inserting “, and”, and

3 (5) by inserting after paragraph (1)(B)(iii) the
4 following new clause:

5 “(iv) in the case of the dollar amounts
6 in subsections (b)(9)(A) and
7 (b)(9)(B)(i)(II), ‘calendar year 2025’.”.

8 (c) **EFFECTIVE DATE.**—

9 (1) **SUBSECTION (a).**—The amendments made
10 by subsection (a) shall apply to taxable years begin-
11 ning after December 31, 2025.

12 (2) **SUBSECTION (b).**—The amendments made
13 by subsection (b) shall apply to taxable years begin-
14 ning after December 31, 2026.

15 **SEC. 110214. REGULATIONS.**

16 The Secretary of the Treasury and the Secretary of
17 Health and Human Services may each prescribe such rules
18 and other guidance as may be necessary or appropriate
19 to carry out the amendments made by this part.

1 **Subtitle B—Make Rural America**
2 **and Main Street Grow Again**

3 **PART 1—EXTENSION OF TAX CUTS AND JOBS ACT**
4 **REFORMS FOR RURAL AMERICA AND MAIN**
5 **STREET**

6 **SEC. 111001. EXTENSION OF SPECIAL DEPRECIATION AL-**
7 **LOWANCE FOR CERTAIN PROPERTY.**

8 (a) IN GENERAL.—Section 168(k) is amended—

9 (1) in paragraph (2)—

10 (A) by striking “January 1, 2027” each
11 place it appears and inserting “January 1,
12 2030”, and

13 (B) in subparagraph (B)—

14 (i) in clause (i)(II), by striking “Janu-
15 ary 1, 2028” and inserting “January 1,
16 2031”, and

17 (ii) in the heading of clause (ii), by
18 striking “PRE-JANUARY 1, 2027 BASIS” and
19 inserting “PRE-JANUARY 1, 2030 BASIS”,

20 (2) in paragraph (5)(A), by striking “January
21 1, 2027” and inserting “January 1, 2030”, and

22 (3) in paragraph (6)—

23 (A) in subparagraph (A)—

24 (i) by inserting “in the case of prop-
25 erty acquired by the taxpayer before Janu-

1 ary 20, 2025,” after “Except as otherwise
2 provided in this paragraph” , and

3 (ii) by striking “and” at the end of
4 clause (iv), by striking the period at the
5 end of clause (v) and inserting “, and”,
6 and by adding at the end the following new
7 clause:

8 “(vi) in the case of property placed in
9 service after December 31, 2026, 0 per-
10 cent.”,

11 (B) in subparagraph (B)—

12 (i) by striking “In the case of prop-
13 erty described” and inserting “In the case
14 of property acquired by the taxpayer before
15 January 20, 2025 and described”, and

16 (ii) by striking “and” at the end of
17 clause (iv), by striking the period at the
18 end of clause (v) and inserting “, and”,
19 and by adding at the end the following new
20 clause:

21 “(vi) in the case of property placed in
22 service after December 31, 2027, 0 per-
23 cent.”,

24 (C) in subparagraph (C), by inserting
25 “and” at the end of clause (iii), by striking

1 clauses (iv) and (v), and by adding at the end
2 the following new clause:

3 “(iv) in the case of a plant which is
4 planted or grafted after January 19, 2025,
5 and before January 1, 2030, 100 per-
6 cent.”, and

7 (D) by adding at the end the following new
8 subparagraph:

9 “(D) RULE FOR PROPERTY ACQUIRED
10 AFTER JANUARY 19, 2025.—

11 “(i) IN GENERAL.—In the case of
12 property acquired by the taxpayer after
13 January 19, 2025 and placed in service
14 after such date and before January 1,
15 2030 (January 1, 2031, in the case of
16 property described in subparagraph (B) or
17 (C) of paragraph (2)), the term ‘applicable
18 percentage’ means 100 percent.

19 “(ii) ACQUISITION DATE DETERMINA-
20 TION.—For purposes of clause (i), property
21 shall not be treated as acquired after the
22 date on which a written binding contract is
23 entered into for such acquisition.”.

24 (b) CONFORMING AMENDMENT.—Section
25 460(c)(6)(B) is amended by striking “which” and all that

1 follows through the period and inserting “which has a re-
2 covery period of 7 years or less.”.

3 (c) EFFECTIVE DATES.—

4 (1) IN GENERAL.—Except as provided by para-
5 graph (2), the amendments made by this section
6 shall apply to property acquired after January 19,
7 2025 and placed in service after such date.

8 (2) SPECIFIED PLANTS.—The amendments
9 made by this section shall apply to specified plants
10 planted or grafted after January 19, 2025.

11 **SEC. 111002. DEDUCTION OF DOMESTIC RESEARCH AND EX-**
12 **PERIMENTAL EXPENDITURES.**

13 (a) SUSPENSION OF AMORTIZATION FOR DOMESTIC
14 RESEARCH AND EXPERIMENTAL EXPENDITURES.—Sec-
15 tion 174 is amended by adding at the end the following
16 new subsection:

17 “(e) SUSPENSION OF APPLICATION TO DOMESTIC
18 RESEARCH AND EXPERIMENTAL EXPENDITURES.—In the
19 case of any domestic research or experimental expendi-
20 tures (as defined in section 174A(b)), this section shall
21 not apply to such expenditures paid or incurred in taxable
22 years beginning after December 31, 2024, and before Jan-
23 uary 1, 2030.”.

24 (b) REINSTATEMENT OF EXPENSING FOR DOMESTIC
25 RESEARCH AND EXPERIMENTAL EXPENDITURES.—Part

1 VI of subchapter B of chapter 1 is amended by inserting
2 after section 174 the following new section:

3 **“SEC. 174A. TEMPORARY RULES FOR DOMESTIC RESEARCH**
4 **AND EXPERIMENTAL EXPENDITURES.**

5 “(a) TREATMENT AS EXPENSES.—Notwithstanding
6 section 263, there shall be allowed as a deduction any do-
7 mestic research or experimental expenditures which are
8 paid or incurred by the taxpayer during the taxable year.

9 “(b) DOMESTIC RESEARCH OR EXPERIMENTAL EX-
10 PENDITURES.—For purposes of this section, the term ‘do-
11 mestic research or experimental expenditures’ means re-
12 search or experimental expenditures paid or incurred by
13 the taxpayer in connection with the taxpayer’s trade or
14 business other than such expenditures which are attrib-
15 utable to foreign research (within the meaning of section
16 41(d)(4)(F)).

17 “(c) AMORTIZATION OF CERTAIN DOMESTIC RE-
18 SEARCH AND EXPERIMENTAL EXPENDITURES.—

19 “(1) IN GENERAL.—At the election of the tax-
20 payer, made in accordance with regulations or other
21 guidance provided by the Secretary, in the case of
22 domestic research or experimental expenditures
23 which would (but for subsection (a)) be chargeable
24 to capital account but not chargeable to property of
25 a character which is subject to the allowance under

1 section 167 (relating to allowance for depreciation,
2 etc.) or section 611 (relating to allowance for deple-
3 tion), subsection (a) shall not apply and the tax-
4 payer shall—

5 “(A) charge such expenditures to capital
6 account, and

7 “(B) be allowed an amortization deduction
8 of such expenditures ratably over such period of
9 not less than 60 months as may be selected by
10 the taxpayer (beginning with the midpoint of
11 the taxable year in which such expenditures are
12 paid or incurred).

13 “(2) TIME FOR AND SCOPE OF ELECTION.—The
14 election provided by paragraph (1) may be made for
15 any taxable year, but only if made not later than the
16 time prescribed by law for filing the return for such
17 taxable year (including extensions thereof). The
18 method so elected, and the period selected by the
19 taxpayer, shall be adhered to in computing taxable
20 income for the taxable year for which the election is
21 made and for all subsequent taxable years unless,
22 with the approval of the Secretary, a change to a
23 different method (or to a different period) is author-
24 ized with respect to part or all of such expenditures.
25 The election shall not apply to any expenditure paid

1 or incurred during any taxable year before the tax-
2 able year for which the taxpayer makes the election.

3 “(d) SPECIAL RULES.—

4 “(1) LAND AND OTHER PROPERTY.—This sec-
5 tion shall not apply to any expenditure for the acqui-
6 sition or improvement of land, or for the acquisition
7 or improvement of property to be used in connection
8 with the research or experimentation and of a char-
9 acter which is subject to the allowance under section
10 167 (relating to allowance for depreciation, etc.) or
11 section 611 (relating to allowance for depletion); but
12 for purposes of this section allowances under section
13 167, and allowances under section 611, shall be con-
14 sidered as expenditures.

15 “(2) EXPLORATION EXPENDITURES.—This sec-
16 tion shall not apply to any expenditure paid or in-
17 curred for the purpose of ascertaining the existence,
18 location, extent, or quality of any deposit of ore or
19 other mineral (including oil and gas).

20 “(3) SOFTWARE DEVELOPMENT.—For purposes
21 of this section, any amount paid or incurred in con-
22 nection with the development of any software shall
23 be treated as a research or experimental expendi-
24 ture.

25 “(e) TERMINATION.—

1 “(1) IN GENERAL.—This section shall not apply
2 to amounts paid or incurred in taxable years begin-
3 ning after December 31, 2029.

4 “(2) CHANGE IN METHOD OF ACCOUNTING.—In
5 the case of a taxpayer’s first taxable year beginning
6 after December 31, 2029, paragraph (1) (and the
7 corresponding application of section 174) shall be
8 treated as a change in method of accounting for pur-
9 poses of section 481 and—

10 “(A) such change shall be treated as initi-
11 ated by the taxpayer,

12 “(B) such change shall be treated as made
13 with the consent of the Secretary, and

14 “(C) such change shall be applied only on
15 a cut-off basis for any domestic research or ex-
16 perimental expenditures paid or incurred in tax-
17 able years beginning after December 31, 2029,
18 and no adjustment under section 481(a) shall
19 be made.”.

20 (c) TREATMENT OF FOREIGN RESEARCH OR EXPERI-
21 MENTAL EXPENDITURES UPON DISPOSITION.—Section
22 174(d) is amended by inserting “or reduction to amount
23 realized” after “no deduction”.

24 (d) COORDINATION WITH CERTAIN OTHER PROVI-
25 SIONS.—

1 (1) RESEARCH CREDIT.—

2 (A) Section 41(d)(1)(A) is amended by in-
3 serting “or domestic research or experimental
4 expenditures under section 174A” after “sec-
5 tion 174”.

6 (B) Section 280C(c) is amended by adding
7 at the end the following new paragraph:

8 “(4) DOMESTIC RESEARCH OR EXPERIMENTAL
9 EXPENDITURES.—The domestic research or experi-
10 mental expenditures otherwise taken into account
11 under section 174A shall be reduced by the amount
12 of the credit allowed under section 41(a).”.

13 (C) Section 280C(c) is amended—

14 (i) in paragraph (1)(B)—

15 (I) by striking “a deduction” and
16 inserting “an amortization deduc-
17 tion”, and

18 (II) by inserting “under section
19 174” after “basic research expenses”,
20 and

21 (ii) in paragraph (2)(A)(i), by striking
22 “paragraph (1)” and inserting “para-
23 graphs (1) and (4)”.

24 (2) AMT ADJUSTMENT.—Section 56(b)(2) is
25 amended—

1 (A) by striking “174(a)” each place it ap-
2 pears and inserting “174A(a)”, and

3 (B) by adding at the end of subparagraph
4 (A) the following new flush sentence:

5 “In the case of research and experimental ex-
6 penditures charged to capital account and am-
7 ortized under section 174 or 174A, such
8 amounts shall be amortized for purposes of this
9 subsection as provided in clause (ii).”.

10 (3) OPTIONAL 10-YEAR WRITEOFF.—Section
11 59(e)(2)(B) is amended by striking “section 174(a)
12 (relating to research and experimental expendi-
13 tures)” and inserting “section 174A(a) (relating to
14 temporary rules for domestic research and experi-
15 mental expenditures)”.

16 (4) QUALIFIED SMALL ISSUE BONDS.—Section
17 144(a)(4)(C)(iv) is amended by inserting “or
18 174A(a)” after “174(a)”.

19 (5) START-UP EXPENDITURES.—Section
20 195(c)(1) is amended by striking “or 174” in the
21 last sentence and inserting “174, or 174A”.

22 (6) CAPITAL EXPENDITURES.—

23 (A) Section 263(a)(1)(B) is amended by
24 inserting “ or 174A” after “174”.

1 (B) Section 263A(e)(2) is amended by in-
2 serting “or 174A” after “174”.

3 (7) ACTIVE BUSINESS COMPUTER SOFTWARE
4 ROYALTIES.—Section 543(d)(4)(A)(i) is amended by
5 inserting “174A,” after “174,”.

6 (8) SOURCE RULES.—Section 864(g)(2) is
7 amended in the last sentence—

8 (A) by striking “treated as deferred ex-
9 penses under subsection (b) of section 174” and
10 inserting “allowed as an amortization deduction
11 under section 174(a) or section 174A(c),” and

12 (B) by striking “such subsection” and in-
13 serting “such section (as the case may be)”.

14 (9) BASIS ADJUSTMENT.—Section 1016(a)(14)
15 is amended by striking “deductions as deferred ex-
16 penses under section 174(b)(1) (relating to research
17 and experimental expenditures)” and inserting “de-
18 ductions under section 174 or 174A(c)”.

19 (10) SMALL BUSINESS STOCK.—Section
20 1202(e)(2)(B) is amended by striking “research and
21 experimental expenditures under section 174” and
22 inserting “specified research or experimental expen-
23 ditures under section 174 or domestic research or ex-
24 perimental expenditures under section 174A”.

1 (e) CLERICAL AMENDMENT.—The table of sections
2 for part VI of subchapter B of chapter 1 is amended by
3 inserting after the item relating to section 174 the fol-
4 lowing new item:

“Sec. 174A. Temporary rules for domestic research and experimental expendi-
tures.”.

5 (f) EFFECTIVE DATE AND SPECIAL RULE.—

6 (1) IN GENERAL.—Except as otherwise pro-
7 vided in this subsection, the amendments made by
8 this section shall apply to amounts paid or incurred
9 in taxable years beginning after December 31, 2024.

10 (2) TREATMENT OF FOREIGN RESEARCH OR
11 EXPERIMENTAL EXPENDITURES UPON DISPOSI-
12 TION.—The amendment made by subsection (c) shall
13 apply to property disposed, retired, or abandoned
14 after May 12, 2025.

15 (3) COORDINATION WITH RESEARCH CREDIT.—
16 The amendments made by subparagraphs (B) and
17 (C) of subsection (d)(1) shall apply to taxable years
18 beginning after December 31, 2024.

19 (4) SPECIAL RULE FOR SHORT TAXABLE
20 YEARS.—The Secretary of the Treasury may pre-
21 scribe such rules as are necessary or appropriate to
22 provide for the application of the amendments made
23 by this section in the case of any taxable year of less
24 than 12 months that begins after December 31,

1 2024, and ends before the date of the enactment of
2 this Act.

3 (5) CHANGE IN METHOD OF ACCOUNTING.—

4 The amendments made by this section shall be treat-
5 ed as a change in method of accounting for purposes
6 of section 481 of the Internal Revenue Code of 1986
7 and—

8 (A) such change shall be treated as initi-
9 ated by the taxpayer,

10 (B) such change shall be treated as made
11 with the consent of the Secretary, and

12 (C) such change shall be applied only on a
13 cut-off basis for any research or experimental
14 expenditures paid or incurred in taxable years
15 beginning after December 31, 2024, and no ad-
16 justments under section 481(a) shall be made.

17 (6) NO INFERENCE.—The amendments made
18 by subparagraphs (B) and (C) of subsection (d)(1)
19 shall not be construed to create any inference with
20 respect to the proper application of section 280C(e)
21 of the Internal Revenue Code of 1986 with respect
22 to taxable years beginning before January 1, 2025.

1 **SEC. 111003. MODIFIED CALCULATION OF ADJUSTED TAX-**
2 **ABLE INCOME FOR PURPOSES OF BUSINESS**
3 **INTEREST DEDUCTION.**

4 (a) IN GENERAL.—Section 163(j)(8)(A)(v) is amend-
5 ed by striking “beginning before January 1, 2022” and
6 inserting “beginning after December 31, 2024 and before
7 January 1, 2030”.

8 (b) FLOOR PLAN FINANCING APPLICABLE TO CER-
9 TAIN TRAILERS AND CAMPERS.—Section 163(j)(9)(C) is
10 amended by adding at the end the following new flush sen-
11 tence:

12 “Such term shall also include any trailer or
13 camper which is designed to provide temporary
14 living quarters for recreational, camping, or
15 seasonal use and is designed to be towed by, or
16 affixed to, a motor vehicle.”.

17 (c) EFFECTIVE DATE AND SPECIAL RULE.—

18 (1) IN GENERAL.—The amendments made by
19 this section shall apply to taxable years beginning
20 after December 31, 2024.

21 (2) SPECIAL RULE FOR SHORT TAXABLE
22 YEARS.—The Secretary of the Treasury may pre-
23 scribe such rules as are necessary or appropriate to
24 provide for the application of the amendments made
25 by this section in the case of any taxable year of less
26 than 12 months that begins after December 31,

1 2024, and ends before the date of the enactment of
2 this Act.

3 **SEC. 111004. EXTENSION OF DEDUCTION FOR FOREIGN-DE-**
4 **RIVED INTANGIBLE INCOME AND GLOBAL IN-**
5 **TANGIBLE LOW-TAXED INCOME.**

6 (a) IN GENERAL.—Section 250(a) is amended by
7 striking paragraph (3).

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2025.

11 **SEC. 111005. EXTENSION OF BASE EROSION MINIMUM TAX**
12 **AMOUNT.**

13 (a) IN GENERAL.—Section 59A(b) is amended by
14 striking paragraph (2) and by redesignating paragraphs
15 (3) and (4) as paragraphs (2) and (3), respectively.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 59A(b)(1) is amended by striking
18 “Except as provided in paragraphs (2) and (3)” and
19 inserting “Except as provided in paragraph (2)”.

20 (2) Section 59A(b)(2), as redesignated by sub-
21 section (a)(2), is amended by striking “the percent-
22 age otherwise in effect under paragraphs (1)(A) and
23 (2)(A) shall each be increased” and inserting “the
24 percentages otherwise in effect under paragraph
25 (1)(A) shall be increased”.

1 (3) Section 59A(e)(1)(C) is amended by strik-
2 ing “in the case of a taxpayer described in sub-
3 section (b)(3)(B)” and inserting “in the case of a
4 taxpayer described in subsection (b)(2)(B)”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2025.

8 **PART 2—ADDITIONAL TAX RELIEF FOR RURAL**
9 **AMERICA AND MAIN STREET**

10 **SEC. 111101. SPECIAL DEPRECIATION ALLOWANCE FOR**
11 **QUALIFIED PRODUCTION PROPERTY.**

12 (a) IN GENERAL.—Section 168 is amended by adding
13 at the end the following new subsection:

14 “(n) SPECIAL ALLOWANCE FOR QUALIFIED PRODUC-
15 TION PROPERTY.—

16 “(1) IN GENERAL.—In the case of any qualified
17 production property—

18 “(A) the depreciation deduction provided
19 by section 167(a) for the taxable year in which
20 such property is placed in service shall include
21 an allowance equal to 100 percent of the ad-
22 justed basis of the qualified production prop-
23 erty, and

24 “(B) the adjusted basis of the qualified
25 production property shall be reduced by the

1 amount of such deduction before computing the
2 amount otherwise allowable as a depreciation
3 deduction under this chapter for such taxable
4 year and any subsequent taxable year.

5 “(2) QUALIFIED PRODUCTION PROPERTY.—For
6 purposes of this subsection—

7 “(A) IN GENERAL.—The term ‘qualified
8 production property’ means that portion of any
9 nonresidential real property—

10 “(i) to which this section applies,

11 “(ii) which is used by the taxpayer as
12 an integral part of a qualified production
13 activity,

14 “(iii) which is placed in service in the
15 United States or any possession of the
16 United States,

17 “(iv) the original use of which com-
18 mences with the taxpayer,

19 “(v) the construction of which begins
20 after January 19, 2025, and before Janu-
21 ary 1, 2029,

22 “(vi) with respect to which the tax-
23 payer has elected the application of this
24 subsection, and

1 “(vii) which is placed in service before
2 January 1, 2033.

3 “(B) SPECIAL RULE FOR CERTAIN PROP-
4 ERTY NOT PREVIOUSLY USED IN QUALIFIED
5 PRODUCTION ACTIVITIES.—

6 “(i) IN GENERAL.—In the case of
7 property acquired by the taxpayer during
8 the period described in subparagraph
9 (A)(v), the requirements of clauses (iv) and
10 (v) of subparagraph (A) shall be treated as
11 satisfied if such property was not used in
12 a qualified production activity (determined
13 without regard to the second sentence of
14 subparagraph (D)) by any person at any
15 time during the period beginning on Janu-
16 ary 1, 2021, and ending on May 12, 2025.

17 “(ii) WRITTEN BINDING CON-
18 TRACTS.—For purposes of determining
19 under clause (i)—

20 “(I) whether such property is ac-
21 quired before the period described in
22 subparagraph (A)(v), such property
23 shall be treated as acquired not later
24 than the date on which the taxpayer

1 enters into a written binding contract
2 for such acquisition, and

3 “(II) whether such property is
4 acquired after such period, such prop-
5 erty shall be treated as acquired not
6 earlier than such date.

7 “(C) EXCLUSION OF OFFICE SPACE,
8 ETC.—The term ‘qualified production property’
9 shall not include that portion of any nonresi-
10 dential real property which is used for offices,
11 administrative services, lodging, parking, sales
12 activities, research activities, software engineer-
13 ing activities, or other functions unrelated to
14 manufacturing, production, or refining of tan-
15 gible personal property.

16 “(D) QUALIFIED PRODUCTION ACTIVITY.—
17 The term ‘qualified production activity’ means
18 the manufacturing, production, or refining of a
19 qualified product. The activities of any taxpayer
20 do not constitute manufacturing, production, or
21 refining of a qualified product unless the activi-
22 ties of such taxpayer result in a substantial
23 transformation of the property comprising the
24 product.

1 “(E) PRODUCTION.—The term ‘produc-
2 tion’ shall not include activities other than agri-
3 cultural production and chemical production.

4 “(F) QUALIFIED PRODUCT.—The term
5 ‘qualified product’ means any tangible personal
6 property.

7 “(G) SYNDICATION.—For purposes of sub-
8 paragraph (A)(iv), rules similar to the rules of
9 subsection (k)(2)(E)(iii) shall apply.

10 “(3) DEDUCTION ALLOWED IN COMPUTING
11 MINIMUM TAX.—For purposes of determining alter-
12 native minimum taxable income under section 55,
13 the deduction under section 167 for qualified pro-
14 duction property shall be determined under this sec-
15 tion without regard to any adjustment under section
16 56.

17 “(4) COORDINATION WITH CERTAIN OTHER
18 PROVISIONS.—

19 “(A) OTHER SPECIAL DEPRECIATION AL-
20 LOWANCES.—The term ‘qualified production
21 property’ shall not include any property to
22 which subsection (k), (l), or (m) applies. For
23 purposes of subsections (k)(7), (l)(3)(D), and
24 (m)(2)(B)(iii), qualified production property to

1 which this subsection applies shall be treated as
2 a separate class of property.

3 “(B) ALTERNATIVE DEPRECIATION PROP-
4 PERTY.—The term ‘qualified production prop-
5 erty’ shall not include any property to which the
6 alternative depreciation system under sub-
7 section (g) applies. For purposes of subsection
8 (g)(7)(A), qualified production property to
9 which this subsection applies shall be treated as
10 separate nonresidential real property.

11 “(5) RECAPTURE.—If, at any time during the
12 10-year period beginning on the date that any quali-
13 fied production property is placed in service by the
14 taxpayer, such property ceases to be used as de-
15 scribed in paragraph (2)(A)(ii) and is used by the
16 taxpayer in a productive use not described in para-
17 graph (2)(A)(ii)—

18 “(A) section 1245 shall be applied—

19 “(i) by treating such property as hav-
20 ing been disposed of by the taxpayer as of
21 the first time such property is so used in
22 a productive use not described in para-
23 graph (2)(A)(ii), and

24 “(ii) by treating the amount described
25 in subparagraph (B) of section 1245(a)(1)

1 with respect to such disposition as being
2 not less than the amount described in sub-
3 paragraph (A) of such section, and

4 “(B) the basis of the taxpayer in such
5 property, and the taxpayer’s allowance for de-
6 preciation with respect to such property, shall
7 be appropriately adjusted to take into account
8 amounts recognized by reason of subparagraph
9 (A).

10 “(6) REGULATIONS.—The Secretary shall issue
11 such regulations or other guidance as may be nec-
12 essary or appropriate to carry out the purposes of
13 this subsection, including regulations or other guid-
14 ance—

15 “(A) regarding what constitutes a substan-
16 tial transformation of property, and

17 “(B) providing for the application of para-
18 graph (5) with respect to a change in use de-
19 scribed in such paragraph by a transferee fol-
20 lowing a fully or partially tax free transfer of
21 qualified production property.”.

22 (b) TREATMENT OF QUALIFIED PRODUCTION PROP-
23 erty AS SECTION 1245 PROPERTY.—Section 1245(a)(3)
24 is amended by striking “or” at the end of subparagraph
25 (E), by striking the period at the end of subparagraph

1 (F) and inserting “, or”, and by adding at the end the
2 following new subparagraph:

3 “(G) any qualified production property (as
4 defined in section 168(n)(2)).”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to property placed in service after
7 the date of the enactment of this Act.

8 **SEC. 111102. RENEWAL AND ENHANCEMENT OF OPPOR-**
9 **TUNITY ZONES.**

10 (a) MODIFICATION OF LOW-INCOME COMMUNITY
11 DEFINITION.—Section 1400Z-1(c)(1) is amended—

12 (1) by striking “COMMUNITIES.—The term”
13 and inserting the following: “COMMUNITIES.—

14 “(A) IN GENERAL.—The term”, and

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

16 “(B) MODIFICATIONS.—For purposes of
17 subparagraph (A), section 45D(e)(1) shall be
18 applied in subparagraph (B) thereof, by sub-
19 stituting ‘70 percent’ for ‘80 percent’ each
20 place it appears.

21 “(C) CERTAIN CENSUS TRACTS DIS-
22 ALLOWED.—The term ‘low-income community’
23 shall not include any population census tract
24 if—

1 “(i) in the case of a tract not located
2 within a metropolitan area, the median
3 family income for such tract is at least 125
4 percent of statewide median family income,
5 or

6 “(ii) in the case of a tract located
7 within a metropolitan area, the median
8 family income for such tract is at least 125
9 percent of the metropolitan area median
10 family income.”.

11 (b) NEW ROUND OF QUALIFIED OPPORTUNITY ZONE
12 DESIGNATIONS.—

13 (1) IN GENERAL.—Section 1400Z–1 is amended
14 by adding at the end the following new subsection:

15 “(g) NEW ROUND OF QUALIFIED OPPORTUNITY
16 ZONE DESIGNATIONS.—

17 “(1) IN GENERAL.—In addition to designations
18 under subsection (b), and under rules similar to the
19 rules of such subsection, the Secretary shall des-
20 ignate tracts nominated by the chief executive offi-
21 cers of States for purposes of this section.

22 “(2) NUMBER OF DESIGNATIONS; PROPORTION
23 OF RURAL AREAS DESIGNATED.—

24 “(A) IN GENERAL.—Of the low-income
25 communities within a State, the Secretary may

1 designate under this subsection not more than
2 25 percent as qualified opportunity zones, of
3 which at least the lesser of the following shall
4 be qualified opportunity zones which are com-
5 prised entirely of a rural area:

6 “(i) The applicable percentage of the
7 total number of qualified opportunity zone
8 designations which may be made within
9 the State under this subsection.

10 “(ii) All low-income communities with-
11 in the State which are comprised entirely
12 of a rural area.

13 “(B) APPLICABLE PERCENTAGE.—For
14 purposes of this paragraph, the applicable per-
15 centage shall be, for any calendar year during
16 which a designation is made, the greater of—

17 “(i) 33 percent, or

18 “(ii) the percentage of the United
19 States population living within a rural area
20 for the preceding calendar year.

21 “(3) RURAL AREA.—Whether a low-income
22 community is comprised entirely of a rural area shall
23 be determined by the Secretary in consultation with
24 the Secretary of Agriculture. For purposes of this
25 subsection, the term ‘rural area’ has the meaning

1 given such term by section 343(a)(13)(A) of the
2 Consolidated Farm and Rural Development Act.

3 “(4) PERIOD FOR WHICH DESIGNATION IS IN
4 EFFECT.—A designation as a qualified opportunity
5 zone under this subsection shall remain in effect for
6 the period beginning on January 1, 2027, and end-
7 ing on December 31, 2033.

8 “(5) CONTIGUOUS TRACTS NOT ELIGIBLE.—
9 Subsection (e) shall not apply to designations made
10 under this subsection.”.

11 (2) ELECTION WITH RESPECT TO NEW ROUND
12 OF ZONES.—Section 1400Z–2(a)(2)(B) is amended
13 by striking “December 31, 2026” and inserting
14 “December 31, 2033”.

15 (3) YEAR OF INCLUSION.—Section 1400Z–
16 2(b)(1)(B) is amended to read as follows:

17 “(B)(i) December 31, 2026, in the case of
18 an amount invested before January 1, 2027,
19 and

20 “(ii) December 31, 2033, in the case of an
21 amount invested after December 31, 2026, and
22 before January 1, 2034.”.

23 (4) WINDING DOWN INITIAL ZONE DESIGNA-
24 TIONS.—Section 1400Z–1(f) is amended—

1 (A) by striking “and ending” and all that
2 follows and inserting the following: “and ending
3 on December 31, 2026.”, and

4 (B) by striking “A designation” and in-
5 serting “Except as provided in subsection
6 (g)(4), a designation”.

7 (c) MODIFICATION OF OPPORTUNITY ZONE INVEST-
8 MENT INCENTIVES.—

9 (1) CONSOLIDATED BASIS INCREASES; RURAL
10 ZONE BASIS INCREASE.—Section 1400Z-2(b)(2)(B)
11 is amended by adding at the end the following new
12 clauses:

13 “(v) CONSOLIDATED BASIS INCREASE
14 FOR INVESTMENTS AFTER 2026.—In the
15 case of investments made after December
16 31, 2026—

17 “(I) clauses (iii) and (iv) shall
18 not apply, and

19 “(II) for any such investment
20 held by the taxpayer for at least 5
21 years, the basis of such adjustment
22 shall be increased by an amount equal
23 to 10 percent of the amount of gain
24 deferred by reason of subsection
25 (a)(1)(A).

1 “(vi) SPECIAL RULE FOR RURAL OP-
2 PORTUNITY FUNDS.—Clause (v) shall be
3 applied by substituting ‘30 percent’ for ‘10
4 percent’ in the case of an investment in a
5 qualified rural opportunity fund.

6 “(vii) QUALIFIED RURAL OPPOR-
7 TUNITY FUND.—For purposes of clause
8 (vi), a ‘qualified rural opportunity fund’
9 means a qualified opportunity fund that
10 holds at least 90 percent of its assets in
11 qualified opportunity zone property
12 which—

13 “(I) is qualified opportunity zone
14 business property substantially all of
15 the use of which, during substantially
16 all of the fund’s holding period for
17 such property, was in a qualified op-
18 portunity zone comprised entirely of a
19 rural area, or

20 “(II) is qualified opportunity
21 zone stock, or a qualified opportunity
22 zone partnership interest, in a quali-
23 fied opportunity zone business in
24 which substantially all of the tangible
25 property owned or leased is qualified

1 opportunity zone business property
2 described in subsection (d)(3)(A)(i)
3 and substantially all the use of which
4 is in a qualified opportunity zone com-
5 prised entirely of a rural area.

6 For purposes of the preceding sentence,
7 property held in the fund shall be meas-
8 ured under rules similar to the rules of
9 subsection (d)(1).”.

10 (2) LIMITED TREATMENT OF ORDINARY IN-
11 COME.—Section 1400Z-2(a) is amended by adding
12 at the end the following new paragraph:

13 “(3) SPECIAL RULE FOR ORDINARY INCOME.—
14 In the case of any ordinary income of the taxpayer
15 for the taxable year—

16 “(A) the taxpayer may elect the applica-
17 tion of paragraph (1) with respect to so much
18 of ordinary income as does not exceed \$10,000
19 (reduced by the amount of any income with re-
20 spect to which an election pursuant to this
21 paragraph has previously been made), and

22 “(B) subsection (b)(2)(B) shall not apply
23 to the investment with respect to such elec-
24 tion.”.

1 “(1) the name, address, and taxpayer identifica-
2 tion number of the qualified opportunity fund,

3 “(2) whether the qualified opportunity fund is
4 organized as a corporation or a partnership,

5 “(3) the value of the total assets held by the
6 qualified opportunity fund as of each date described
7 in section 1400Z-2(d)(1),

8 “(4) the value of all qualified opportunity zone
9 property held by the qualified opportunity fund on
10 each such date,

11 “(5) with respect to each investment held by
12 the qualified opportunity fund in qualified oppor-
13 tunity zone stock or a qualified opportunity zone
14 partnership interest—

15 “(A) the name, address, and taxpayer
16 identification number of the corporation in
17 which such stock is held or the partnership in
18 which such interest is held, as the case may be,

19 “(B) each North American Industry Clas-
20 sification System (NAICS) code that applies to
21 the trades or businesses conducted by such cor-
22 poration or partnership,

23 “(C) the population census tracts in which
24 the qualified opportunity zone business property
25 of such corporation or partnership is located,

1 “(D) the amount of the investment in such
2 stock or partnership interest as of each date de-
3 scribed in section 1400Z–2(d)(1),

4 “(E) the value of tangible property held by
5 such corporation or partnership on each such
6 date which is owned by such corporation or
7 partnership,

8 “(F) the value of tangible property held by
9 such corporation or partnership on each such
10 date which is leased by such corporation or
11 partnership,

12 “(G) the approximate number of residen-
13 tial units (if any) for any real property held by
14 such corporation or partnership, and

15 “(H) the approximate average monthly
16 number of full-time equivalent employees of
17 such corporation or partnership for the year
18 (within numerical ranges identified by the Sec-
19 retary) or such other indication of the employ-
20 ment impact of such corporation or partnership
21 as determined appropriate by the Secretary,

22 “(6) with respect to the items of qualified op-
23 portunity zone business property held by the quali-
24 fied opportunity fund—

1 “(A) the North American Industry Classi-
2 fication System (NAICS) code that applies to
3 the trades or businesses in which such property
4 is held,

5 “(B) the population census tract in which
6 the property is located,

7 “(C) whether the property is owned or
8 leased,

9 “(D) the aggregate value of the items of
10 qualified opportunity zone property held by the
11 qualified opportunity fund as of each date de-
12 scribed in section 1400Z–2(d)(1), and

13 “(E) in the case of real property, number
14 of residential units (if any),

15 “(7) the approximate average monthly number
16 of full-time equivalent employees for the year of the
17 trades or businesses of the qualified opportunity
18 fund in which qualified opportunity zone business
19 property is held (within numerical ranges identified
20 by the Secretary) or such other indication of the em-
21 ployment impact of such trades or businesses as de-
22 termined appropriate by the Secretary,

23 “(8) with respect to each person who disposed
24 of an investment in the qualified opportunity fund
25 during the year—

1 “(A) the name and taxpayer identification
2 number of such person,

3 “(B) the date or dates on which the invest-
4 ment disposed was acquired, and

5 “(C) the date or dates on which any such
6 investment was disposed and the amount of the
7 investment disposed, and

8 “(9) such other information as the Secretary
9 may require.

10 “(c) STATEMENT REQUIRED TO BE FURNISHED TO
11 INVESTORS.—Every person required to make a return
12 under subsection (a) shall furnish to each person whose
13 name is required to be set forth in such return by reason
14 of subsection (b)(8) a written statement showing—

15 “(1) the name, address and phone number of
16 the information contact of the person required to
17 make such return, and

18 “(2) the information required to be shown on
19 such return by reason of subsection (b)(8) with re-
20 spect to the person whose name is required to be so
21 set forth.

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

23 “(1) IN GENERAL.—Any term used in this sec-
24 tion which is also used in subchapter Z of chapter

1 1 shall have the meaning given such term under
2 such subchapter.

3 “(2) FULL-TIME EQUIVALENT EMPLOYEES.—

4 The term ‘full-time equivalent employees’ means,
5 with respect to any month, the sum of—

6 “(A) the number of full-time employees (as
7 defined in section 4980H(c)(4)) for the month,

8 plus

9 “(B) the number of employees determined
10 (under rules similar to the rules of section
11 4980H(c)(2)(E)) by dividing the aggregate
12 number of hours of service of employees who
13 are not full-time employees for the month by
14 120.

15 “(e) APPLICATION TO QUALIFIED RURAL OPPOR-
16 TUNITY FUNDS.—Every qualified rural opportunity fund
17 (as defined in section 1400Z–2(b)(2)(B)(vii)) shall file the
18 annual return required under subsection (a), and the
19 statements required under subsection (c), applied—

20 “(1) by substituting ‘qualified rural oppor-
21 tunity’ for ‘qualified opportunity’ each place it ap-
22 pears,

23 “(2) by substituting ‘section 1400Z–
24 2(b)(2)(B)(vii)’ for ‘section 1400Z–2(d)(1)’ each
25 place it appears, and

1 “(3) by treating any reference (after the appli-
2 cation of paragraph (1)) to qualified rural oppor-
3 tunity zone stock, a qualified rural opportunity zone
4 partnership interest, a qualified rural opportunity
5 zone business, or qualified opportunity zone business
6 property as stock, an interest, a business, or prop-
7 erty, respectively, described in (I) or (II), as the case
8 may be, of section 1400Z-2(b)(2)(B)(vii).

9 **“SEC. 6039L. INFORMATION REQUIRED FROM QUALIFIED**
10 **OPPORTUNITY ZONE BUSINESSES AND**
11 **QUALIFIED RURAL OPPORTUNITY ZONE**
12 **BUSINESSES.**

13 “(a) IN GENERAL.—Every applicable qualified oppor-
14 tunity zone business shall furnish to the qualified oppor-
15 tunity fund described in subsection (b) a written state-
16 ment in such manner and setting forth such information
17 as the Secretary may by regulations prescribe for purposes
18 of enabling such qualified opportunity fund to meet the
19 requirements of section 6039K(b)(5).

20 “(b) APPLICABLE QUALIFIED OPPORTUNITY ZONE
21 BUSINESS.—For purposes of subsection (a), the term ‘ap-
22 plicable qualified opportunity zone business’ means any
23 qualified opportunity zone business—

24 “(1) which is a trade or business of a qualified
25 opportunity fund,

1 “(2) in which a qualified opportunity fund holds
2 qualified opportunity zone stock, or

3 “(3) in which a qualified opportunity fund holds
4 a qualified opportunity zone partnership interest.

5 “(c) OTHER TERMS.—Any term used in this section
6 which is also used in subchapter Z of chapter 1 shall have
7 the meaning given such term under such subchapter.

8 “(d) APPLICATION TO QUALIFIED RURAL OPPOR-
9 TUNITY BUSINESSES.—Every applicable qualified rural
10 opportunity zone business (as defined in subsection (b) de-
11 termined after application of the substitutions described
12 in this sentence) shall furnish the written statement re-
13 quired under subsection (a), applied—

14 “(1) by substituting ‘qualified rural oppor-
15 tunity’ for ‘qualified opportunity’ each place it ap-
16 pears, and

17 “(2) by treating any reference (after the appli-
18 cation of paragraph (1)) to qualified rural oppor-
19 tunity zone stock, a qualified rural opportunity zone
20 partnership interest, or a qualified rural opportunity
21 zone business as stock, an interest, or a business, re-
22 spectively, described in (I) or (II), as the case may
23 be, of section 1400Z–2(b)(2)(B)(vii).”.

24 (2) PENALTIES.—

1 (A) IN GENERAL.—Part II of subchapter
2 B of chapter 68 is amended by inserting after
3 section 6725 the following new section:

4 **“SEC. 6726. FAILURE TO COMPLY WITH INFORMATION RE-**
5 **PORTING REQUIREMENTS RELATING TO**
6 **QUALIFIED OPPORTUNITY FUNDS AND**
7 **QUALIFIED RURAL OPPORTUNITY FUNDS.**

8 “(a) IN GENERAL.—In the case of any person re-
9 quired to file a return under section 6039K fails to file
10 a complete and correct return under such section in the
11 time and in the manner prescribed therefor, such person
12 shall pay a penalty of \$500 for each day during which
13 such failure continues.

14 “(b) LIMITATION.—

15 “(1) IN GENERAL.—The maximum penalty
16 under this section on failures with respect to any 1
17 return shall not exceed \$10,000.

18 “(2) LARGE QUALIFIED OPPORTUNITY
19 FUNDS.—In the case of any failure described in sub-
20 section (a) with respect to a fund the gross assets
21 of which (determined on the last day of the taxable
22 year) are in excess of \$10,000,000, paragraph (1)
23 shall be applied by substituting ‘\$50,000’ for
24 ‘\$10,000’.

1 “(c) PENALTY IN CASES OF INTENTIONAL DIS-
2 REGARD.—If a failure described in subsection (a) is due
3 to intentional disregard, then—

4 “(1) subsection (a) shall be applied by sub-
5 stituting ‘\$2,500’ for ‘\$500’,

6 “(2) subsection (b)(1) shall be applied by sub-
7 stituting ‘\$50,000’ for ‘\$10,000’, and

8 “(3) subsection (b)(2) shall be applied by sub-
9 stituting ‘\$250,000’ for ‘\$50,000’.

10 “(d) INFLATION ADJUSTMENT.—

11 “(1) IN GENERAL.—In the case of any failure
12 relating to a return required to be filed in a calendar
13 year beginning after 2025, each of the dollar
14 amounts in subsections (a), (b), and (c) shall be in-
15 creased by an amount equal to such dollar amount
16 multiplied by the cost-of-living adjustment deter-
17 mined under section 1(f)(3) for the calendar year
18 determined by substituting ‘calendar year 2024’ for
19 ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

20 “(2) ROUNDING.—

21 “(A) IN GENERAL.—If the \$500 dollar
22 amount in subsection (a) and (c)(1) or the
23 \$2,500 amount in subsection (c)(1), after being
24 increased under paragraph (1), is not a mul-

1 title of \$10, such dollar amount shall be round-
2 ed to the next lowest multiple of \$10.

3 “(B) ASSET THRESHOLD.—If the
4 \$10,000,000 dollar amount in subsection (b)(2),
5 after being increased under paragraph (1), is
6 not a multiple of \$10,000, such dollar amount
7 shall be rounded to the next lowest multiple of
8 \$10,000.

9 “(C) OTHER DOLLAR AMOUNTS.—If any
10 dollar amount in subsection (b) or (c) (other
11 than any amount to which subparagraph (A) or
12 (B) applies), after being increased under para-
13 graph (1), is not a multiple of \$1,000, such dol-
14 lar amount shall be rounded to the next lowest
15 multiple of \$1,000.”.

16 (B) INFORMATION REQUIRED TO BE SENT
17 TO OTHER TAXPAYERS.—Section 6724(d)(2) is
18 amended—

19 (i) by striking “or” at the end of sub-
20 paragraph (KK),

21 (ii) by striking the period at the end
22 of the subparagraph (LL) and inserting a
23 comma, and

24 (iii) by inserting after subparagraph
25 (LL) the following new subparagraphs:

1 “(MM) section 6039K(c) (relating to dis-
2 position of qualified opportunity fund invest-
3 ments), or

4 “(NN) section 6039L (relating to informa-
5 tion required from certain qualified opportunity
6 zone businesses and qualified rural opportunity
7 zone businesses).”.

8 (3) ELECTRONIC FILING.—Section 6011(e) is
9 amended by adding at the end the following new
10 paragraph:

11 “(8) QUALIFIED OPPORTUNITY FUNDS AND
12 QUALIFIED RURAL OPPORTUNITY FUNDS.—Notwith-
13 standing paragraphs (1) and (2), any return filed by
14 a qualified opportunity fund or qualified rural oppor-
15 tunity fund shall be filed on magnetic media or other
16 machine-readable form.”.

17 (4) CLERICAL AMENDMENTS.—

18 (A) The table of sections for subpart A of
19 part III of subchapter A of chapter 61 is
20 amended by inserting after the item relating to
21 section 6039J the following new items:

 “Sec. 6039K. Returns with respect to qualified opportunity funds and qualified
 rural opportunity funds.

 “Sec. 6039L. Information required from qualified opportunity zone businesses
 and qualified rural opportunity zone businesses.”.

22 (B) The table of sections for part II of
23 subchapter B of chapter 68 is amended by in-

1 serting after the item relating to section 6725
2 the following new item:

“Sec. 6726. Failure to comply with information reporting requirements relating to qualified opportunity funds and qualified rural opportunity funds.”.

3 (5) EFFECTIVE DATE.—The amendments made
4 by this subsection shall apply to taxable years begin-
5 ning after the date of the enactment of this Act.

6 (e) SECRETARY REPORTING OF DATA ON OPPOR-
7 TUNITY ZONE AND RURAL OPPORTUNITY ZONE TAX IN-
8 CENTIVES.—

9 (1) IN GENERAL.—As soon as practical after
10 the date of the enactment of this Act, and annually
11 thereafter, the Secretary of the Treasury, or the
12 Secretary’s delegate (referred to in this section as
13 the “Secretary”), in consultation with the Director
14 of the Bureau of the Census and such other agencies
15 as the Secretary determines appropriate, shall make
16 publicly available a report on qualified opportunity
17 funds.

18 (2) INFORMATION INCLUDED.—The report re-
19 quired under paragraph (1) shall include, to the ex-
20 tent available, the following information:

21 (A) The number of qualified opportunity
22 funds.

23 (B) The aggregate dollar amount of assets
24 held in qualified opportunity funds.

1 (C) The aggregate dollar amount of invest-
2 ments made by qualified opportunity funds in
3 qualified opportunity fund property, stated sep-
4 arately for each North American Industry Clas-
5 sification System (NAICS) code.

6 (D) The percentage of population census
7 tracts designated as qualified opportunity zones
8 that have received qualified opportunity fund
9 investments.

10 (E) For each population census tract des-
11 ignated as a qualified opportunity zone, the ap-
12 proximate average monthly number of full-time
13 equivalent employees of the qualified oppor-
14 tunity zone businesses in such qualified oppor-
15 tunity zone for the preceding 12-month period
16 (within numerical ranges identified by the Sec-
17 retary) or such other indication of the employ-
18 ment impact of such qualified opportunity fund
19 businesses as determined appropriate by the
20 Secretary.

21 (F) The percentage of the total amount of
22 investments made by qualified opportunity
23 funds in—

24 (i) qualified opportunity zone property
25 which is real property; and

1 (ii) other qualified opportunity zone
2 property.

3 (G) For each population census tract, the
4 aggregate approximate number of residential
5 units resulting from investments made by quali-
6 fied opportunity funds in real property.

7 (H) The aggregate dollar amount of in-
8 vestments made by qualified opportunity funds
9 in each population census tract.

10 (3) ADDITIONAL INFORMATION.—

11 (A) IN GENERAL.—Beginning with the re-
12 port submitted under paragraph (1) for the 6th
13 year after the date of the enactment of this Act,
14 the Secretary shall include in such report the
15 impacts and outcomes of a designation of a
16 population census tract as a qualified oppor-
17 tunity zone as measured by economic indicators,
18 such as job creation, poverty reduction, new
19 business starts, and other metrics as deter-
20 mined by the Secretary.

21 (B) SEMI-DECENNIAL INFORMATION.—

22 (i) IN GENERAL.—In the case of any
23 report submitted under paragraph (1) in
24 the 6th year or the 11th year after the
25 date of the enactment of this Act, the Sec-

1 retary shall include the following informa-
2 tion:

3 (I) For population census tracts
4 designated as a qualified opportunity
5 zone, a comparison (based on aggre-
6 gate information) of the factors listed
7 in clause (iii) between the 5-year pe-
8 riod ending on the date of the enact-
9 ment of Public Law 115–97 and the
10 most recent 5-year period for which
11 data is available.

12 (II) For population census tracts
13 designated as a qualified opportunity
14 zone, a comparison (based on aggre-
15 gate information) of the factors listed
16 in clause (iii) for the most recent 5-
17 year period for which data is available
18 between such population census tracts
19 and a similar population census tracts
20 that were not designated as a quali-
21 fied opportunity zone.

22 (ii) CONTROL GROUPS.—For purposes
23 of clause (i), the Secretary may combine
24 population census tracts into such groups

1 as the Secretary determines appropriate
2 for purposes of making comparisons.

3 (iii) FACTORS LISTED.—The factors
4 listed in this clause are the following:

5 (I) The unemployment rate.

6 (II) The number of persons
7 working in the population census
8 tract, including the percentage of such
9 persons who were not residents in the
10 population census tract in the pre-
11 ceding year.

12 (III) Individual, family, and
13 household poverty rates.

14 (IV) Median family income of
15 residents of the population census
16 tract.

17 (V) Demographic information on
18 residents of the population census
19 tract, including age, income, edu-
20 cation, race, and employment.

21 (VI) The average percentage of
22 income of residents of the population
23 census tract spent on rent annually.

24 (VII) The number of residences
25 in the population census tract.

1 (VIII) The rate of home owner-
2 ship in the population census tract.

3 (IX) The average value of resi-
4 dential property in the population cen-
5 sus tract.

6 (X) The number of affordable
7 housing units in the population census
8 tract.

9 (XI) The number and percentage
10 of residents in the population census
11 tract that were not employed for the
12 preceding year.

13 (XII) The number of new busi-
14 ness starts in the population census
15 tract.

16 (XIII) The distribution of em-
17 ployees in the population census tract
18 by North American Industry Classi-
19 fication System (NAICS) code.

20 (4) PROTECTION OF IDENTIFIABLE RETURN IN-
21 FORMATION.—In making reports required under this
22 subsection, the Secretary—

23 (A) shall establish appropriate procedures
24 to ensure that any amounts reported do not dis-
25 close taxpayer return information that can be

1 associated with any particular taxpayer or com-
2 petitive or proprietary information, and

3 (B) if necessary to protect taxpayer return
4 information, may combine information required
5 with respect to individual population census
6 tracts into larger geographic areas.

7 (5) DEFINITIONS.—Any term used in this sub-
8 section which is also used in subchapter Z of chapter
9 1 of the Internal Revenue Code of 1986 shall have
10 the meaning given such term under such subchapter.

11 (6) REPORTS ON QUALIFIED RURAL OPPOR-
12 TUNITY FUNDS.—The Secretary shall make publicly
13 available, with respect to qualified rural opportunity
14 funds, separate reports as required under this sub-
15 section, applied—

16 (A) by substituting “qualified rural oppor-
17 tunity” for “qualified opportunity” each place it
18 appears,

19 (B) by substituting a reference to this Act
20 for “Public Law 115–97”, and

21 (C) by treating any reference (after the ap-
22 plication of subparagraph (A)) to qualified rural
23 opportunity zone stock, qualified rural oppor-
24 tunity zone partnership interest, qualified rural
25 opportunity zone business, or qualified oppor-

1 tunity zone business property as stock, interest,
2 business, or property, respectively, described in
3 (I) or (II), as the case may be, of section
4 1400Z-2(b)(2)(B)(vii) of the Internal Revenue
5 Code of 1986.

6 **SEC. 111103. INCREASED DOLLAR LIMITATIONS FOR EX-**
7 **PENSING OF CERTAIN DEPRECIABLE BUSI-**
8 **NESS ASSETS.**

9 (a) IN GENERAL.—Section 179(b) is amended—

10 (1) in paragraph (1), by striking “\$1,000,000”
11 and inserting “\$2,500,000” , and

12 (2) in paragraph (2), by striking “\$2,500,000”
13 and inserting “\$4,000,000”.

14 (b) CONFORMING AMENDMENTS.—Section
15 179(b)(6)(A) is amended—

16 (1) by inserting “(2025 in the case of the dollar
17 amounts in paragraphs (1) and (2))” after “In the
18 case of any taxable year beginning after 2018”, and

19 (2) in clause (ii), by striking “determined by
20 substituting ‘calendar year 2017’ for ‘calendar year
21 2016’ in subparagraph (A)(ii) thereof.” and insert-
22 ing “determined by substituting in subparagraph
23 (A)(ii) thereof—

1 “(I) in the case of amounts in
2 paragraphs (1) and (2), ‘calendar year
3 2024’ for ‘calendar year 2016’, and

4 “(II) in the case of the amount
5 in paragraph (5)(A), ‘calendar year
6 2017’ for ‘calendar year 2016’.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to property placed in service in
9 taxable years beginning after December 31, 2024.

10 **SEC. 111104. REPEAL OF REVISION TO DE MINIMIS RULES**

11 **FOR THIRD PARTY NETWORK TRANS-**
12 **ACTIONS.**

13 (a) REINSTATEMENT OF EXCEPTION FOR DE MINI-
14 MIS PAYMENTS AS IN EFFECT PRIOR TO ENACTMENT OF
15 AMERICAN RESCUE PLAN ACT OF 2021.—

16 (1) IN GENERAL.—Section 6050W(e) is amend-
17 ed to read as follows:

18 “(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY
19 THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third
20 party settlement organization shall be required to report
21 any information under subsection (a) with respect to third
22 party network transactions of any participating payee only
23 if—

1 “(1) the amount which would otherwise be re-
2 ported under subsection (a)(2) with respect to such
3 transactions exceeds \$20,000, and

4 “(2) the aggregate number of such transactions
5 exceeds 200.”.

6 (2) EFFECTIVE DATE.—The amendment made
7 by this subsection shall take effect as if included in
8 section 9674 of the American Rescue Plan Act.

9 (b) APPLICATION OF DE MINIMIS RULE FOR THIRD
10 PARTY NETWORK TRANSACTIONS TO BACKUP WITH-
11 HOLDING.—

12 (1) IN GENERAL.—Section 3406(b) is amended
13 by adding at the end the following new paragraph:

14 “(8) OTHER REPORTABLE PAYMENTS INCLUDE
15 PAYMENTS IN SETTLEMENT OF THIRD PARTY NET-
16 WORK TRANSACTIONS ONLY WHERE AGGREGATE
17 TRANSACTIONS EXCEED REPORTING THRESHOLD
18 FOR THE CALENDAR YEAR.—

19 “(A) IN GENERAL.—Any payment in set-
20 tlement of a third party network transaction re-
21 quired to be shown on a return required under
22 section 6050W which is made during any cal-
23 endar year shall be treated as a reportable pay-
24 ment only if—

1 “(i) the aggregate number of trans-
2 actions with respect to the participating
3 payee during such calendar year exceeds
4 the number of transactions specified in
5 section 6050W(e)(2), and

6 “(ii) the aggregate amount of trans-
7 actions with respect to the participating
8 payee during such calendar year exceeds
9 the dollar amount specified in section
10 6050W(e)(1) at the time of such payment.

11 “(B) EXCEPTION IF THIRD PARTY NET-
12 WORK TRANSACTIONS MADE IN PRIOR YEAR
13 WERE REPORTABLE.—Subparagraph (A) shall
14 not apply with respect to payments to any par-
15 ticipating payee during any calendar year if one
16 or more payments in settlement of third party
17 network transactions made by the payor to the
18 participating payee during the preceding cal-
19 endar year were reportable payments.”.

20 (2) EFFECTIVE DATE.—The amendment made
21 by this subsection shall apply to calendar years be-
22 ginning after December 31, 2024.

1 **SEC. 111105. INCREASE IN THRESHOLD FOR REQUIRING IN-**
2 **FORMATION REPORTING WITH RESPECT TO**
3 **CERTAIN PAYEES.**

4 (a) IN GENERAL.—Section 6041(a) is amended by
5 striking “\$600” and inserting “\$2,000”.

6 (b) INFLATION ADJUSTMENT.—Section 6041 is
7 amended by adding at the end the following new sub-
8 section:

9 “(h) INFLATION ADJUSTMENT.—In the case of any
10 calendar year after 2026, the dollar amount in subsection
11 (a) shall be increased by an amount equal to—

12 “(1) such dollar amount, multiplied by

13 “(2) the cost-of-living adjustment determined
14 under section 1(f)(3) for such calendar year, deter-
15 mined by substituting ‘calendar year 2025’ for ‘cal-
16 endar year 2016’ in subparagraph (A)(ii) thereof.

17 If any increase under the preceding sentence is not a mul-
18 tiple of \$100, such increase shall be rounded to the nearest
19 multiple of \$100.”.

20 (c) APPLICATION TO REPORTING ON REMUNERATION
21 FOR SERVICES.—Section 6041A(a)(2) is amended by
22 striking “is \$600 or more” and inserting “equals or ex-
23 ceeds the dollar amount in effect for such calendar year
24 under section 6041(a)”.

25 (d) APPLICATION TO BACKUP WITHHOLDING.—Sec-
26 tion 3406(b)(6) is amended—

1 (1) by striking “\$600” in subparagraph (A)
2 and inserting “the dollar amount in effect for such
3 calendar year under section 6041(a)”, and

4 (2) by striking “ONLY WHERE AGGREGATE FOR
5 CALENDAR YEAR IS \$600 OR MORE” in the heading
6 and inserting “ONLY IF IN EXCESS OF THRESHOLD”.

7 (e) CONFORMING AMENDMENTS.—

8 (1) The heading of section 6041(a) is amended
9 by striking “OF \$600 OR MORE” and inserting “EX-
10 CEEDING THRESHOLD”.

11 (2) Section 6041(a) is amended by striking
12 “taxable year” and inserting “calendar year”.

13 (f) EFFECTIVE DATE.—The amendments made by
14 this section shall apply with respect to payments made
15 after December 31, 2025.

16 **SEC. 111106. REPEAL OF EXCISE TAX ON INDOOR TANNING**
17 **SERVICES.**

18 (a) IN GENERAL.—Subtitle D is amended by striking
19 chapter 49 and by striking the item relating to such chap-
20 ter in the table of chapters of such subtitle.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to services performed after the
23 date of the enactment of this Act.

1 **SEC. 111107. EXCLUSION OF INTEREST ON LOANS SECURED**
2 **BY RURAL OR AGRICULTURAL REAL PROP-**
3 **ERTY.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-
5 ter 1 is amended by inserting after section 139I the fol-
6 lowing new section:

7 **“SEC. 139J. INTEREST ON LOANS SECURED BY RURAL OR**
8 **AGRICULTURAL REAL PROPERTY.**

9 “(a) IN GENERAL.—Gross income shall not include
10 25 percent of the interest received by a qualified lender
11 on any qualified real estate loan.

12 “(b) QUALIFIED LENDER.—For purposes of this sec-
13 tion, the term ‘qualified lender’ means—

14 “(1) any bank or savings association the depos-
15 its of which are insured under the Federal Deposit
16 Insurance Act (12 U.S.C. 1811 et seq.),

17 “(2) any State- or federally-regulated insurance
18 company,

19 “(3) any entity wholly owned, directly or indi-
20 rectly, by a company that is treated as a bank hold-
21 ing company for purposes of section 8 of the Inter-
22 national Banking Act of 1978 (12 U.S.C. 3106) if—

23 “(A) such entity is organized, incor-
24 porated, or established under the laws of the
25 United States or any State of the United
26 States, and

1 “(B) the principal place of business of
2 such entity is in the United States (including
3 any territory of the United States),

4 “(4) any entity wholly owned, directly or indi-
5 rectly, by a company that is considered an insurance
6 holding company under the laws of any State if such
7 entity satisfies the requirements described in sub-
8 paragraphs (A) and (B) of paragraph (3), and

9 “(5) with respect to interest received on a quali-
10 fied real estate loan secured by real estate described
11 in subsection (c)(3)(A), any federally chartered in-
12 strumentality of the United States established under
13 section 8.1(a) of the Farm Credit Act of 1971 (12
14 U.S.C. 2279aa-1(a)).

15 “(c) QUALIFIED REAL ESTATE LOAN.—For purposes
16 of this section—

17 “(1) IN GENERAL.—The term ‘qualified real es-
18 tate loan’ means any loan—

19 “(A) secured by—

20 “(i) rural or agricultural real estate,

21 or

22 “(ii) a leasehold mortgage (with a sta-
23 tus as a lien) on rural or agricultural real
24 estate,

1 “(B) made to a person other than a speci-
2 fied foreign entity (as defined in section
3 7701(a)(51)), and

4 “(C) made after the date of the enactment
5 of this section and before January 1, 2029.

6 For purposes of the preceding sentence, the deter-
7 mination of whether property securing such loan is
8 rural or agricultural real estate shall be made as of
9 the time the interest income on such loan is accrued.

10 “(2) REFINANCINGS.—For purposes of sub-
11 paragraphs (A) and (C) of paragraph (1), a loan
12 shall not be treated as made after the date of the
13 enactment of this section to the extent that the pro-
14 ceeds of such loan are used to refinance a loan
15 which was made on or before the date of the enact-
16 ment of this section (or, in the case of any series of
17 refinancings, the original loan was made on or be-
18 fore such date).

19 “(3) RURAL OR AGRICULTURAL REAL ES-
20 TATE.—The term ‘rural or agricultural real estate’
21 means—

22 “(A) any real property which is substan-
23 tially used for the production of one or more
24 agricultural products,

1 “(B) any real property which is substan-
2 tially used in the trade or business of fishing or
3 seafood processing, and

4 “(C) any aquaculture facility.

5 Such term shall not include any property which is
6 not located in a State or a possession of the United
7 States.

8 “(4) AQUACULTURE FACILITY.—The term
9 ‘aquaculture facility’ means any land, structure, or
10 other appurtenance that is used for aquaculture (in-
11 cluding any hatchery, rearing pond, raceway, pen, or
12 incubator).

13 “(d) COORDINATION WITH SECTION 265.—Qualified
14 real estate loans shall be treated as obligations described
15 in section 265(a)(2) the interest on which is wholly exempt
16 from the taxes imposed by this subtitle.”.

17 (b) CLERICAL AMENDMENT.—The table of sections
18 for part III of subchapter B of chapter 1 is amended by
19 inserting after the item relating to section 139I the fol-
20 lowing new item:

 “Sec. 139J. Interest on loans secured by rural or agricultural real property.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years ending after the
23 date of the enactment of this Act.

1 **SEC. 111108. TREATMENT OF CERTAIN QUALIFIED SOUND**
2 **RECORDING PRODUCTIONS.**

3 (a) **ELECTION TO TREAT COSTS AS EXPENSES.**—
4 Section 181(a)(1) is amended by striking “qualified film
5 or television production, and any qualified live theatrical
6 production,” and inserting “qualified film or television
7 production, any qualified live theatrical production, and
8 any qualified sound recording production”.

9 (b) **DOLLAR LIMITATION.**—Section 181(a)(2) is
10 amended by adding at the end the following new subpara-
11 graph:

12 “(C) **QUALIFIED SOUND RECORDING PRO-**
13 **DUCTION.**—Paragraph (1) shall not apply to so
14 much of the aggregate cost of any qualified
15 sound recording production, or to so much of
16 the aggregate, cumulative cost of all such quali-
17 fied sound recording productions in the taxable
18 year, as exceeds \$150,000.”.

19 (c) **NO OTHER DEDUCTION OR AMORTIZATION DE-**
20 **DUCTION ALLOWABLE.**—Section 181(b) is amended by
21 striking “qualified film or television production or any
22 qualified live theatrical production” and inserting “quali-
23 fied film or television production, any qualified live theat-
24 rical production, or any qualified sound recording produc-
25 tion”.

1 (d) ELECTION.—Section 181(c)(1) is amended by
2 striking “qualified film or television production or any
3 qualified live theatrical production” and inserting “quali-
4 fied film or television production, any qualified live theat-
5 rical production, or any qualified sound recording produc-
6 tion”.

7 (e) QUALIFIED SOUND RECORDING PRODUCTION
8 DEFINED.—Section 181 is amended by redesignating sub-
9 sections (f) and (g) as subsections (g) and (h), respec-
10 tively, and by inserting after subsection (e) the following
11 new subsection:

12 “(f) QUALIFIED SOUND RECORDING PRODUCTION.—
13 For purposes of this section, the term ‘qualified sound re-
14 cording production’ means a sound recording (as defined
15 in section 101 of title 17, United States Code) produced
16 and recorded in the United States.”.

17 (f) APPLICATION OF TERMINATION.—Section 181(g)
18 is amended by striking “qualified film and television pro-
19 ductions or qualified live theatrical productions” and in-
20 serting “qualified film and television productions, qualified
21 live theatrical productions, and qualified sound recording
22 productions”.

23 (g) BONUS DEPRECIATION.—

24 (1) QUALIFIED SOUND RECORDING PRODUC-
25 TION AS QUALIFIED PROPERTY.—Section

1 168(k)(2)(A)(i), as amended by the preceding provi-
2 sions of this Act, is amended—

3 (A) by striking “or” at the end of sub-
4 clause (IV), by striking “and” and inserting
5 “or” at the end of subclause (V), and by insert-
6 ing after subclause (V) the following:

7 “(VI) which is a qualified sound
8 recording production (as defined in
9 subsection (f) of section 181) which is
10 placed in service before January 1,
11 2029, for which a deduction would
12 have been allowable under section 181
13 without regard to subsections (a)(2)
14 and (h) of such section or this sub-
15 section, and”, and

16 (B) in subclauses (IV) and (V) (as so
17 amended) by striking “without regard to sub-
18 sections (a)(2) and (g)” both places it appears
19 and inserting “without regard to subsections
20 (a)(2) and (h)”.

21 (2) PRODUCTION PLACED IN SERVICE.—Section
22 168(k)(2)(H) is amended by striking “and” at the
23 end of clause (i), by striking the period at the end
24 of clause (ii) and inserting “, and”, and by adding
25 after clause (ii) the following:

1 “(iii) a qualified sound recording pro-
2 duction shall be considered to be placed in
3 service at the time of initial release or
4 broadcast.”.

5 (h) CONFORMING AMENDMENTS.—

6 (1) The heading for section 181 is amended to
7 read as follows: “**TREATMENT OF CERTAIN**
8 **QUALIFIED PRODUCTIONS.**”.

9 (2) The table of sections for part VI of sub-
10 chapter B of chapter 1 is amended by striking the
11 item relating to section 181 and inserting the fol-
12 lowing new item:

 “Sec. 181. Treatment of certain qualified productions.”.

13 (i) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to productions commencing in tax-
15 able years ending after the date of the enactment of this
16 Act.

17 **SEC. 111109. MODIFICATIONS TO LOW-INCOME HOUSING**
18 **CREDIT.**

19 (a) STATE HOUSING CREDIT CEILING INCREASE FOR
20 LOW-INCOME HOUSING CREDIT.—

21 (1) IN GENERAL.—Section 42(h)(3)(I) is
22 amended—

23 (A) by striking “and 2021,” and inserting
24 “2021, 2026, 2027, 2028, and 2029,” and

1 (B) by striking “2018, 2019, 2020, AND
2 2021” in the heading and inserting “CERTAIN
3 CALENDAR YEARS”.

4 (2) EFFECTIVE DATE.—The amendments made
5 by this subsection shall apply to calendar years after
6 2025.

7 (b) TAX-EXEMPT BOND FINANCING REQUIRE-
8 MENT.—

9 (1) IN GENERAL.—Section 42(h)(4) is amended
10 by striking subparagraph (B) and inserting the fol-
11 lowing:

12 “(B) SPECIAL RULE WHERE MINIMUM
13 PERCENT OF BUILDINGS IS FINANCED WITH
14 TAX-EXEMPT BONDS SUBJECT TO VOLUME
15 CAP.—For purposes of subparagraph (A), para-
16 graph (1) shall not apply to any portion of the
17 credit allowable under subsection (a) with re-
18 spect to a building if—

19 “(i) 50 percent or more of the aggre-
20 gate basis of such building and the land on
21 which the building is located is financed by
22 1 or more obligations described in subpara-
23 graph (A), or

24 “(ii)(I) 25 percent or more of the ag-
25 gregate basis of such building and the land

1 on which the building is located is financed
2 by 1 or more qualified obligations, and

3 “(II) 1 or more of such qualified obli-
4 gations—

5 “(aa) are part of an issue the
6 issue date of which is after December
7 31, 2025, and

8 “(bb) provide the financing for
9 not less than 5 percent of the aggre-
10 gate basis of such building and the
11 land on which the building is located.

12 “(C) QUALIFIED OBLIGATION.—For pur-
13 poses of subparagraph (B)(ii), the term ‘quali-
14 fied obligation’ means an obligation which is de-
15 scribed in subparagraph (A) and which is part
16 of an issue the issue date of which is before
17 January 1, 2030.”.

18 (2) EFFECTIVE DATE.—

19 (A) IN GENERAL.—The amendment made
20 by this subsection shall apply to buildings
21 placed in service in taxable years beginning
22 after December 31, 2025.

23 (B) REHABILITATION EXPENDITURES
24 TREATED AS SEPARATE NEW BUILDING.—In
25 the case of any building with respect to which

1 any expenditures are treated as a separate new
2 building under section 42(e) of the Internal
3 Revenue Code of 1986, for purposes of sub-
4 paragraph (A), both the existing building and
5 the separate new building shall be treated as
6 having been placed in service on the date such
7 expenditures are treated as placed in service
8 under section 42(e)(4) of such Code.

9 (c) TEMPORARY INCLUSION OF INDIAN AREAS AND
10 RURAL AREAS AS DIFFICULT DEVELOPMENT AREAS FOR
11 PURPOSES OF CERTAIN BUILDINGS.—

12 (1) IN GENERAL.—Section 42(d)(5)(B)(iii)(I) is
13 amended by inserting before the period the fol-
14 lowing: “, and, in the case of buildings placed in
15 service after December 31, 2025 and before January
16 1, 2030, any Indian area or rural area”.

17 (2) INDIAN AREA; RURAL AREA.—Section
18 42(d)(5)(B)(iii) is amended by redesignating sub-
19 clause (II) as subclause (IV) and by inserting after
20 subclause (I) the following new subclauses:

21 “(II) INDIAN AREA.—For pur-
22 poses of subclause (I), the term ‘In-
23 dian area’ means any Indian area (as
24 defined in section 4(11) of the Native
25 American Housing Assistance and

1 Self Determination Act of 1996 (25
2 U.S.C. 4103(11))) and any housing
3 area (as defined in section 801(5) of
4 such Act (25 U.S.C. 4221(5))).

5 “(III) RURAL AREA.—For pur-
6 poses of subclause (I), the term ‘rural
7 area’ means any non-metropolitan
8 area, or any rural area as defined by
9 section 520 of the Housing Act of
10 1949, which is identified by the quali-
11 fied allocation plan under subsection
12 (m)(1)(B).”.

13 (3) ELIGIBLE BUILDINGS.—Section
14 42(d)(5)(B)(iii), as amended by paragraph (2), is
15 further amended by adding at the end the following
16 new subclause:

17 “(V) SPECIAL RULE FOR BUILD-
18 INGS IN INDIAN AREAS.—In the case
19 of an area which is a difficult develop-
20 ment area solely because it is an In-
21 dian area, a building shall not be
22 treated as located in such area unless
23 such building is assisted or financed
24 under the Native American Housing
25 Assistance and Self Determination

1 Act of 1996 (25 U.S.C. 4101 et seq.)
2 or the project sponsor is an Indian
3 tribe (as defined in section
4 45A(c)(6)), a tribally designated hous-
5 ing entity (as defined in section 4(22)
6 of such Act (25 U.S.C. 4103(22))), or
7 wholly owned or controlled by such an
8 Indian tribe or tribally designated
9 housing entity.”.

10 (4) EFFECTIVE DATE.—The amendments made
11 by this subsection shall apply to buildings placed in
12 service after December 31, 2025.

13 **SEC. 111110. INCREASED GROSS RECEIPTS THRESHOLD**
14 **FOR SMALL MANUFACTURING BUSINESSES.**

15 (a) IN GENERAL.—Section 448(c) is amended by re-
16 designating paragraph (4) as paragraph (5) and by insert-
17 ing after paragraph (3) the following new paragraph:

18 “(4) GROSS RECEIPTS TEST FOR MANUFAC-
19 TURING TAXPAYERS.—In the case of a manufac-
20 turing taxpayer, paragraph (1) shall be applied by
21 substituting ‘\$80,000,000’ for ‘\$25,000,000’.”.

22 (b) INFLATION ADJUSTMENT.—Section 448(c)(5) (as
23 so redesignated) is amended by striking “the dollar
24 amount in paragraph (1) shall be increased” and inserting

1 “the dollar amounts in paragraphs (1) and (4) shall each
2 be increased”.

3 (c) MANUFACTURING TAXPAYER DEFINED.—Section
4 448(d) is amended by redesignating paragraph (8) as
5 paragraph (9) and by inserting after paragraph (7) the
6 following new paragraph:

7 “(8) MANUFACTURING TAXPAYER.—

8 “(A) IN GENERAL.—The term ‘manufac-
9 turing taxpayer’ means a corporation or part-
10 nership substantially all the gross receipts of
11 which during the 3-taxable-year period de-
12 scribed in subsection (c)(1) are derived from
13 the lease, rental, license, sale, exchange, or
14 other disposition of qualified products.

15 “(B) QUALIFIED PRODUCT.—For purposes
16 of subparagraph (A), the term ‘qualified prod-
17 uct’ means a product that is both—

18 “(i) tangible personal property which
19 is not a food or beverage prepared in the
20 same building as a retail establishment in
21 which substantially similar property is sold
22 to the public, and

23 “(ii) produced or manufactured by the
24 taxpayer in a manner which results in a
25 substantial transformation (within the

1 meaning of section 168(n)(2)(D)) of the
2 property comprising the product.

3 “(C) AGGREGATION RULE.—Solely for pur-
4 poses of determining whether a taxpayer is a
5 manufacturing taxpayer under subparagraph
6 (A)—

7 “(i) gross receipts shall be determined
8 under the rules of paragraphs (2) and (3)
9 of subsection (c), and

10 “(ii) for purposes of subsection (c)(2),
11 in applying section 52(b), the term ‘trade
12 or business’ shall include any activity
13 treated as a trade or business under para-
14 graph (5) or (6) of section 469(c) (deter-
15 mined without regard to the phrase ‘To
16 the extent provided in regulations’ in such
17 paragraph (6)).”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2025.

1 **SEC. 111111. GLOBAL INTANGIBLE LOW-TAXED INCOME DE-**
2 **TERMINED WITHOUT REGARD TO CERTAIN**
3 **INCOME DERIVED FROM SERVICES PER-**
4 **FORMED IN THE VIRGIN ISLANDS.**

5 (a) IN GENERAL.—Section 951A(c)(2)(A)(i) is
6 amended by striking “and” at the end of subclause (IV),
7 by striking the period at the end of subclause (V) and in-
8 serting “, and”, and by adding at the end the following
9 new subclause:

10 “(VI) in the case of any specified
11 United States shareholder, any quali-
12 fied Virgin Islands services income.”.

13 (b) DEFINITIONS AND SPECIAL RULES.—Section
14 951A(c)(2) is amended by adding at the end the following
15 new subparagraph:

16 “(C) PROVISIONS RELATED TO QUALIFIED
17 VIRGIN ISLANDS SERVICES INCOME.—For pur-
18 poses of subparagraph (A)(i)(VI)—

19 “(i) QUALIFIED VIRGIN ISLANDS
20 SERVICES INCOME.—The term ‘qualified
21 Virgin Islands services income’ means any
22 gross income which satisfies all of the fol-
23 lowing requirements:

24 “(I) Such gross income is com-
25 pensation for labor or personal serv-
26 ices performed in the Virgin Islands

1 by a corporation formed under the
2 laws of the Virgin Islands.

3 “(II) Such gross income is attrib-
4 utable to services performed from
5 within the Virgin Islands by individ-
6 uals for the benefit of such corpora-
7 tion.

8 “(III) Such gross income is effec-
9 tively connected with the conduct of a
10 trade or business within the Virgin Is-
11 lands.

12 “(ii) SPECIFIED UNITED STATES
13 SHAREHOLDER.—The term ‘specified
14 United States shareholder’ means any
15 United States shareholder which is—

16 “(I) an individual, trust, or es-
17 tate, or

18 “(II) a closely held C corporation
19 (as defined in section 469(j)(1)) if
20 such corporation acquired its direct or
21 indirect equity interest in the foreign
22 corporation which derived the quali-
23 fied Virgin Islands services income be-
24 fore December 31, 2023.

1 “(iii) REGULATIONS.—The Secretary
2 shall prescribe such regulations or other
3 guidance as may be necessary or appro-
4 priate to carry out this subparagraph and
5 subparagraph (A)(i)(VI), including regula-
6 tions or other guidance to prevent the
7 abuse of such subparagraphs.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years of foreign corpora-
10 tions beginning after the date of the enactment of this
11 Act, and to taxable years of United States shareholders
12 with or within which such taxable years of foreign corpora-
13 tions end.

14 **SEC. 111112. EXTENSION AND MODIFICATION OF CLEAN**
15 **FUEL PRODUCTION CREDIT.**

16 (a) PROHIBITION ON FOREIGN FEEDSTOCKS.—

17 (1) IN GENERAL.—Section 45Z(f)(1)(A) is
18 amended—

19 (A) in clause (i)(II)(bb), by striking “and”
20 at the end,

21 (B) in clause (ii), by striking the period at
22 the end and inserting “, and”, and

23 (C) by adding at the end the following new
24 clause:

1 “(iii) such fuel is exclusively derived
2 from a feedstock which was produced or
3 grown in the United States, Mexico, or
4 Canada.”.

5 (2) EFFECTIVE DATE.—The amendments made
6 by this subsection shall apply to transportation fuel
7 sold after December 31, 2025.

8 (b) DETERMINATION OF EMISSIONS RATE.—

9 (1) IN GENERAL.—Section 45Z(b)(1)(B) is
10 amended by adding at the end the following new
11 clauses:

12 “(iv) EXCLUSION OF INDIRECT LAND
13 USE CHANGES.—Notwithstanding clauses
14 (ii) and (iii), the lifecycle greenhouse gas
15 emissions shall be adjusted as necessary to
16 exclude any emissions attributed to indi-
17 rect land use change. Any such adjustment
18 shall be based on regulations or methodolo-
19 gies determined by the Secretary in con-
20 sultation with the Administrator of the En-
21 vironmental Protection Agency and the
22 Secretary of Agriculture.

23 “(v) ANIMAL MANURES.—For pur-
24 poses of the table described in clause (i),
25 with respect to any transportation fuels

1 which are derived from animal manure, a
2 distinct emissions rate shall be provided
3 with respect to each of the specific feed-
4 stocks used to such produce such fuel,
5 which shall include dairy manure, swine
6 manure, poultry manure, and such other
7 sources as are determined appropriate by
8 the Secretary.”.

9 (2) CONFORMING AMENDMENT.—Section
10 45Z(b)(1)(B)(i) is amended by striking “clauses (ii)
11 and (iii)” and inserting “clauses (ii), (iii), (iv), and
12 (v)”.

13 (3) EFFECTIVE DATE.—The amendments made
14 by this subsection shall apply to emissions rates pub-
15 lished for taxable years beginning after December
16 31, 2025.

17 (c) EXTENSION OF CLEAN FUEL PRODUCTION
18 CREDIT.—Section 45Z(g) is amended by striking “Decem-
19 ber 31, 2027” and inserting “December 31, 2031”.

20 (d) RESTRICTIONS RELATING TO PROHIBITED FOR-
21 EIGN ENTITIES.—

22 (1) IN GENERAL.—Section 45Z(f) is amended
23 by adding at the end the following new paragraph:

24 “(8) RESTRICTIONS RELATING TO PROHIBITED
25 FOREIGN ENTITIES.—

1 “(A) IN GENERAL.—No credit determined
2 under subsection (a) shall be allowed under sec-
3 tion 38 for any taxable year beginning after the
4 date of enactment of this paragraph if the tax-
5 payer is a specified foreign entity (as defined in
6 section 7701(a)(51)(B)).

7 “(B) OTHER PROHIBITED FOREIGN ENTI-
8 TIES.—No credit determined under subsection
9 (a) shall be allowed under section 38 for any
10 taxable year beginning after the date which is
11 2 years after the date of enactment of this
12 paragraph if the taxpayer is a foreign-influ-
13 enced entity (as defined in section
14 7701(a)(51)(D)).”.

15 (2) EFFECTIVE DATE.—The amendment made
16 by this subsection shall apply to taxable years begin-
17 ning after the date of enactment of this Act.

18 **PART 3—INVESTING IN THE HEALTH OF RURAL**

19 **AMERICA AND MAIN STREET**

20 **SEC. 111201. EXPANDING THE DEFINITION OF RURAL**

21 **EMERGENCY HOSPITAL UNDER THE MEDI-**

22 **CARE PROGRAM.**

23 (a) IN GENERAL.—Section 1861(kkk) of the Social
24 Security Act (42 U.S.C. 1395x(kkk)) is amended—

25 (1) in paragraph (2)—

1 (A) in subparagraph (A), by striking “the
2 detailed transition plan” and all that follows
3 through “such paragraph” and inserting “the
4 detailed transition plan described in clause
5 (i)(I) of such paragraph or the assessment of
6 health care needs described in clause (i)(II) of
7 such paragraph, as applicable,”;

8 (B) in subparagraph (D)(vi), by striking
9 the period at the end and inserting “; and”;
10 and

11 (C) by adding at the end the following new
12 subparagraph:

13 “(E) in the case of a facility described in para-
14 graph (3)(B)—

15 “(i) submits an application under section
16 1866(j) to enroll under this title as a rural
17 emergency hospital—

18 “(I) in the case that such facility is
19 located in a State that, as of January 1,
20 2027, provides for the licensing of rural
21 emergency hospitals under State or appli-
22 cable local law (as described in paragraph
23 (5)(A)), not later than December 31, 2027;
24 and

1 “(II) in the case that such facility is
2 located in a State that, as of January 1,
3 2027, does not provide for the licensing of
4 such rural emergency hospitals under State
5 or applicable local law (as so described),
6 not later than the date that is 1 year after
7 the date on which such State begins to
8 provide for such licensing; and

9 “(ii) in the case that such facility is lo-
10 cated less than 35 miles away from the nearest
11 hospital, critical access hospital, or rural emer-
12 gency hospital as of the date on which such fa-
13 cility submits an application under section
14 1866(j) to enroll under this title as a rural
15 emergency hospital, beginning not later than 1
16 year after the end of the first full cost reporting
17 period for which the facility is so enrolled, dem-
18 onstrates annually, in a form and manner de-
19 termined appropriate by the Secretary, that
20 more than 50 percent of the services furnished
21 for the most recent cost reporting period (as de-
22 termined by the Secretary) were services de-
23 scribed in paragraph (1)(A)(i), as determined
24 based on discharges of individuals entitled to

1 benefits under part A or enrolled under part B
2 during such cost reporting period.”;

3 (2) in paragraph (3)—

4 (A) by redesignating subparagraphs (A)
5 and (B) as clauses (i) and (ii), respectively, and
6 adjusting the margins accordingly;

7 (B) by striking “A facility” and inserting:
8 “(A) IN GENERAL.—A facility”; and

9 (C) by adding at the end the following new
10 subparagraph:

11 “(B) ADDITIONAL FACILITIES.—Beginning
12 January 1, 2027, a facility described in this para-
13 graph shall also include a facility that—

14 “(i) at any time during the period begin-
15 ning January 1, 2014, and ending December
16 26, 2020—

17 “(I) was a critical access hospital; or

18 “(II) was a subsection (d) hospital (as
19 defined in section 1886(d)(1)(B)) with not
20 more than 50 beds located in a county (or
21 equivalent unit of local government) in a
22 rural area (as defined in section
23 1886(d)(2)(D)); and

1 “(ii) as of December 27, 2020, was not en-
2 rolled in the program under this title under sec-
3 tion 1866(j).”; and
4 (3) in paragraph (4)—
5 (A) in subparagraph (A)(i)—
6 (i) in subclause (IV), by striking the
7 period at the end and inserting “; and”;
8 (ii) by redesignating subclauses (I)
9 through (IV) as items (aa) through (dd),
10 respectively, and adjusting the margins ac-
11 cordingly;
12 (iii) by striking “including a detailed”
13 and inserting “including—
14 “(I) except in the case of a facility de-
15 scribed in paragraph (3)(B), a detailed”;
16 and
17 (iv) by adding at the end the following
18 new subclause:
19 “(II) in the case of a facility described
20 in paragraph (3)(B), an assessment of the
21 health care needs of the county (or equiva-
22 lent unit of local government) in which
23 such facility is located, which shall in-
24 clude—

1 “(aa) a description of the services
2 furnished by the facility during the
3 period that such facility was enrolled
4 in the program under this title under
5 section 1866(j);

6 “(bb) a description of the reasons
7 that the facility, as of December 27,
8 2020, was no longer so enrolled;

9 “(cc) the population of such
10 county (or equivalent unit);

11 “(dd) the percentage of such pop-
12 ulation who are individuals entitled to
13 benefits under part A or enrolled
14 under part B; and

15 “(ee) a description of any lack of
16 access to health care services experi-
17 enced by such individuals, and an ex-
18 planation of how reopening the facility
19 as a rural emergency hospital would
20 mitigate such lack of access.”.

21 (b) AMENDMENTS TO PAYMENT RULES.—Section
22 1834(x) of the Social Security Act (42 U.S.C. 1395m(x))
23 is amended—

24 (1) in paragraph (1), by inserting “, except
25 that, in the case of a facility described in section

1 1861(kkk)(3)(B) that, as of the date on which such
2 facility submits an application under section 1866(j)
3 to enroll under this title as a rural emergency hos-
4 pital, is located less than 35 miles away from the
5 nearest hospital, critical access hospital, or rural
6 emergency hospital, such increase shall not apply”
7 before the period at the end; and

8 (2) in paragraph (2)(A), by inserting “(other
9 than a facility described in section 1861(kkk)(3)(B)
10 that, as of the date on which such facility submits
11 an application under section 1866(j) to enroll under
12 this title as a rural emergency hospital, is located
13 less than 10 miles away from the nearest hospital,
14 critical access hospital, or rural emergency hos-
15 pital)” after “rural emergency hospital”.

16 **Subtitle C—Make America Win** 17 **Again**

18 **PART 1—WORKING FAMILIES OVER ELITES**

19 **SEC. 112001. TERMINATION OF PREVIOUSLY-OWNED CLEAN** 20 **VEHICLE CREDIT.**

21 (a) IN GENERAL.—Section 25E(g) is amended by
22 striking “December 31, 2032” and inserting “December
23 31, 2025”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to vehicles acquired after Decem-
3 ber 31, 2025.

4 **SEC. 112002. TERMINATION OF CLEAN VEHICLE CREDIT.**

5 (a) IN GENERAL.—Section 30D is amended—

6 (1) by redesignating subsection (h) as sub-
7 section (i), and

8 (2) in subsection (i), as so redesignated, by
9 striking “December 31, 2032” and inserting “De-
10 cember 31, 2026”.

11 (b) SPECIAL RULE FOR TAXABLE YEAR 2026.—Sec-
12 tion 30D is amended by inserting after subsection (g) the
13 following new subsection:

14 “(h) SPECIAL RULE FOR TAXABLE YEAR 2026.—

15 “(1) IN GENERAL.—With respect to any vehicle
16 placed in service after December 31, 2025, such ve-
17 hicle shall not be treated as a new clean vehicle for
18 purposes of this section if, during the period begin-
19 ning on December 31, 2009, and ending on Decem-
20 ber 31, 2025, the number of covered vehicles manu-
21 factured by the manufacturer of such vehicle which
22 are sold for use in the United States is greater than
23 200,000.

24 “(2) COVERED VEHICLES.—For purposes of
25 this subsection, the term ‘covered vehicles’ means—

1 “(A) with respect to vehicles placed in
2 service before January 1, 2023, new qualified
3 plug-in electric drive motor vehicles (as defined
4 in subsection (d)(1), as in effect on December
5 31, 2022), and

6 “(B) new clean vehicles.

7 “(3) CONTROLLED GROUPS.—Rules similar to
8 the rules of section 30B(f)(4) shall apply for pur-
9 poses of this subsection.”.

10 (c) CONFORMING AMENDMENTS.—Section 30D(e) is
11 amended—

12 (1) in paragraph (1)(B)—

13 (A) in clause (iii), by inserting “and” after
14 the comma at the end,

15 (B) in clause (iv), by striking “, and” and
16 inserting a period, and

17 (C) by striking clause (v), and

18 (2) in paragraph (2)(B)—

19 (A) in clause (ii), by inserting “and” after
20 the comma at the end,

21 (B) in clause (iii), by striking the comma
22 at the end and inserting a period, and

23 (C) by striking clauses (iv) through (vi).

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to vehicles placed in service after
3 December 31, 2025.

4 **SEC. 112003. TERMINATION OF QUALIFIED COMMERCIAL**
5 **CLEAN VEHICLES CREDIT.**

6 (a) IN GENERAL.—Section 45W(g) is amended to
7 read as follows:

8 “(g) TERMINATION.—

9 “(1) IN GENERAL.—No credit shall be deter-
10 mined under this section with respect to any vehicle
11 acquired after December 31, 2025.

12 “(2) EXCEPTION FOR BINDING CONTRACTS.—
13 Paragraph (1) shall not apply with respect to vehi-
14 cles placed in service before January 1, 2033, and
15 acquired pursuant to a written binding contract en-
16 tered into before May 12, 2025.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to vehicles acquired after Decem-
19 ber 31, 2025.

20 **SEC. 112004. TERMINATION OF ALTERNATIVE FUEL VEHI-**
21 **CLE REFUELING PROPERTY CREDIT.**

22 (a) IN GENERAL.—Section 30C(i) is amended by
23 striking “December 31, 2032” and inserting “December
24 31, 2025”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to property placed in service after
3 December 31, 2025.

4 **SEC. 112005. TERMINATION OF ENERGY EFFICIENT HOME**
5 **IMPROVEMENT CREDIT.**

6 (a) IN GENERAL.—Section 25C(i) is amended to read
7 as follows:

8 “(i) TERMINATION.—This section shall not apply
9 with respect to any property placed in service after Decem-
10 ber 31, 2025.”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) Section 25C(d)(2)(C) is amended to read as
13 follows:

14 “(C) Any oil furnace or hot water boiler
15 which is placed in service before January 1,
16 2026, and—

17 “(i) meets or exceeds 2021 Energy
18 Star efficiency criteria, and

19 “(ii) is rated by the manufacturer for
20 use with fuel blends at least 20 percent of
21 the volume of which consists of an eligible
22 fuel.”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to property placed in service after
25 December 31, 2025.

1 **SEC. 112006. TERMINATION OF RESIDENTIAL CLEAN EN-**
2 **ERGY CREDIT.**

3 (a) IN GENERAL.—Section 25D(h) is amended by
4 striking “December 31, 2034” and inserting “December
5 31, 2025”.

6 (b) CONFORMING AMENDMENTS.—Section 25D(g) is
7 amended—

8 (1) in paragraph (2), by inserting “and” after
9 the comma at the end,

10 (2) in paragraph (3), by striking “January 1,
11 2033, 30 percent,” and inserting “January 1, 2026,
12 30 percent.”, and

13 (3) by striking paragraphs (4) and (5).

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to property placed in service after
16 December 31, 2025.

17 **SEC. 112007. TERMINATION OF NEW ENERGY EFFICIENT**
18 **HOME CREDIT.**

19 (a) IN GENERAL.—Section 45L(h) is amended to
20 read as follows:

21 “(h) TERMINATION.—This section shall not apply to
22 any qualified new energy efficient home acquired after De-
23 cember 31, 2025 (December 31, 2026, in the case of any
24 home for which construction began before May 12,
25 2025).”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to homes acquired after December
3 31, 2025.

4 **SEC. 112008. PHASE-OUT AND RESTRICTIONS ON CLEAN**
5 **ELECTRICITY PRODUCTION CREDIT.**

6 (a) PHASE-OUT.—Section 45Y(d) is amended—

7 (1) in paragraph (1), in the matter preceding
8 subparagraph (A), by striking “the construction of
9 which begins during a calendar year described in
10 paragraph (2)” and inserting “which is placed in
11 service after December 31, 2028,”, and

12 (2) by striking paragraphs (2) and (3) and in-
13 serting the following new paragraph:

14 “(2) PHASE-OUT PERCENTAGE.—The phase-out
15 percentage under this paragraph is equal to—

16 “(A) for a facility placed in service during
17 calendar year 2029, 80 percent,

18 “(B) for a facility placed in service during
19 calendar year 2030, 60 percent,

20 “(C) for a facility placed in service during
21 calendar year 2031, 40 percent, and

22 “(D) for a facility placed in service after
23 December 31, 2031, 0 percent.”.

24 (b) RESTRICTIONS RELATING TO PROHIBITED FOR-
25 EIGN ENTITIES.—Section 45Y is amended—

1 (1) in subsection (b)(1), by adding at the end
2 the following new subparagraph:

3 “(E) MATERIAL ASSISTANCE FROM PRO-
4 HIBITED FOREIGN ENTITIES.—The term ‘quali-
5 fied facility’ shall not include any facility for
6 which construction begins after the date that is
7 one year after the date of the enactment of this
8 subparagraph if the construction of such facility
9 includes any material assistance from a prohib-
10 ited foreign entity (as defined in section
11 7701(a)(52)).”, and

12 (2) in subsection (g), by adding at the end the
13 following new paragraph:

14 “(13) RESTRICTIONS RELATING TO PROHIB-
15 ITED FOREIGN ENTITIES.—

16 “(A) IN GENERAL.—No credit determined
17 under subsection (a) shall be allowed under sec-
18 tion 38 for any taxable year beginning after the
19 date of enactment of this paragraph if the tax-
20 payer is a specified foreign entity (as defined in
21 section 7701(a)(51)(B)).

22 “(B) OTHER PROHIBITED FOREIGN ENTI-
23 TIES.—No credit determined under subsection
24 (a) shall be allowed under section 38 for any
25 taxable year beginning after the date which is

1 2 years after the date of enactment of this
2 paragraph if—

3 “(i) the taxpayer is a foreign-influ-
4 enced entity (as defined in section
5 7701(a)(51)(D)), or

6 “(ii) during such taxable year, the
7 taxpayer—

8 “(I) makes a payment of divi-
9 dends, interest, compensation for serv-
10 ices, rentals or royalties, guarantees
11 or any other fixed, determinable, an-
12 nual, or periodic amount to a prohib-
13 ited foreign entity (as defined in sec-
14 tion 7701(a)(51)) in an amount which
15 is equal to or greater than 5 percent
16 of the total of such payments made by
17 such taxpayer during such taxable
18 year which are related to the produc-
19 tion of electricity, or

20 “(II) makes payments described
21 in subclause (I) to more than 1 pro-
22 hibited foreign entity (as so defined)
23 in an amount which, in the aggregate,
24 is equal to or greater than 15 percent
25 of the total of such payments made by

1 such taxpayer during such taxable
2 year which are related to the produc-
3 tion of electricity.”.

4 (c) REPEAL OF TRANSFERABILITY.—Section
5 6418(f)(1) is amended—

6 (1) in subparagraph (A), by striking clause
7 (vii), and

8 (2) in subparagraph (B), by striking “(v), or
9 (vii)” and inserting “or (v)”.

10 (d) DEFINITIONS RELATING TO PROHIBITED FOR-
11 EIGN ENTITIES.—Section 7701(a) is amended by adding
12 at the end the following new paragraphs:

13 “(51) PROHIBITED FOREIGN ENTITY.—

14 “(A) IN GENERAL.—The term ‘prohibited
15 foreign entity’ means a specified foreign entity
16 or a foreign-influenced entity.

17 “(B) SPECIFIED FOREIGN ENTITY.—For
18 purposes of subparagraph (A), the term ‘speci-
19 fied foreign entity’ means—

20 “(i) a foreign entity of concern de-
21 scribed in subparagraph (A), (B), (D), or
22 (E) of section 9901(8) of the William M.
23 (Mac) Thornberry National Defense Au-
24 thorization Act for Fiscal Year 2021 (Pub-
25 lic Law 116–283; 15 U.S.C. 4651),

1 “(ii) an entity identified as a Chinese
2 military company operating in the United
3 States in accordance with section 1260H
4 of the William M. (Mac) Thornberry Na-
5 tional Defense Authorization Act for Fiscal
6 Year 2021 (Public Law 116–283; 10
7 U.S.C. 113 note),

8 “(iii) an entity included on a list re-
9 quired by clause (i), (ii), (iv), or (v) of sec-
10 tion 2(d)(2)(B) of Public Law 117–78
11 (135 Stat. 1527),

12 “(iv) an entity specified under section
13 154(b) of the National Defense Authoriza-
14 tion Act for Fiscal Year 2024 (Public Law
15 118–31; 10 U.S.C. note prec. 4651), or

16 “(v) a foreign-controlled entity.

17 “(C) FOREIGN-CONTROLLED ENTITY.—For
18 purposes of subparagraph (B), the term ‘for-
19 eign-controlled entity’ means—

20 “(i) the government of a covered na-
21 tion (as defined in section 4872(f)(2) of
22 title 10, United States Code),

23 “(ii) a person who is a citizen, na-
24 tional, or resident of a covered nation, pro-
25 vided that such person is not an individual

1 who is a citizen or lawful permanent resi-
2 dent of the United States,

3 “(iii) an entity or a qualified business
4 unit (as defined in section 989(a)) incor-
5 porated or organized under the laws of, or
6 having its principal place of business in, a
7 covered nation, or

8 “(iv) an entity (including subsidiary
9 entities) controlled (as determined under
10 subparagraph (F)) by an entity described
11 in clause (i), (ii), or (iii).

12 “(D) FOREIGN-INFLUENCED ENTITY.—For
13 purposes of subparagraph (A), the term ‘for-
14 eign-influenced entity’ means an entity—

15 “(i) with respect to which, during the
16 taxable year—

17 “(I) a specified foreign entity has
18 the direct or indirect authority to ap-
19 point a covered officer of such entity,

20 “(II) a single specified foreign
21 entity owns at least 10 percent of
22 such entity,

23 “(III) one or more specified for-
24 eign entities own in the aggregate at
25 least 25 percent of such entity, or

1 “(IV) at least 25 percent of the
2 debt of such entity is held in the ag-
3 gregate by one or more specified for-
4 eign entities, or

5 “(ii) which, during the previous tax-
6 able year—

7 “(I) makes a payment of divi-
8 dends, interest, compensation for serv-
9 ices, rentals or royalties, guarantees
10 or any other fixed, determinable, an-
11 nual, or periodic amount to a specified
12 foreign entity in an amount which is
13 equal to or greater than 10 percent of
14 the total of such payments made by
15 such entity during such taxable year,
16 or

17 “(II) makes payments described
18 in subclause (I) to more than 1 speci-
19 fied foreign entity in an amount
20 which, in the aggregate, is equal to or
21 greater than 25 percent of the total of
22 such payments made by such entity
23 during such taxable year.

1 Clause (ii) shall not apply unless such enti-
2 ty makes such payments knowingly (or has
3 reason to know).

4 “(E) COVERED OFFICER.—For purposes of
5 this paragraph, the term ‘covered officer’
6 means, with respect to an entity—

7 “(i) a member of the board of direc-
8 tors, board of supervisors, or equivalent
9 governing body,

10 “(ii) an executive-level officer, includ-
11 ing the president, chief executive officer,
12 chief operating officer, chief financial offi-
13 cer, general counsel, or senior vice presi-
14 dent, or

15 “(iii) an individual having powers or
16 responsibilities similar to those of officers
17 or members described in clause (i) or (ii).

18 “(F) DETERMINATION OF CONTROL.—For
19 purposes of subparagraph (C)(iv), the term
20 ‘control’ means—

21 “(i) in the case of a corporation, own-
22 ership (by vote or value) of more than 50
23 percent of the stock in such corporation,

24 “(ii) in the case of a partnership,
25 ownership of more than 50 percent of the

1 profits interests or capital interests in such
2 partnership, or

3 “(iii) in any other case, ownership of
4 more than 50 percent of the beneficial in-
5 terests in the entity.

6 “(G) DETERMINATION OF OWNERSHIP.—
7 For purposes of this section, section 318 (relat-
8 ing to constructive ownership of stock) shall
9 apply for purposes of determining ownership of
10 stock in a corporation. Similar principles shall
11 apply for purposes of determining ownership of
12 interests in any other entity.

13 “(H) REGULATIONS AND GUIDANCE.—The
14 Secretary may prescribe such regulations and
15 guidance as may be necessary or appropriate to
16 carry out the provisions of this paragraph.

17 “(52) MATERIAL ASSISTANCE FROM A PROHIB-
18 ITED FOREIGN ENTITY.—

19 “(A) IN GENERAL.—The term ‘material
20 assistance from a prohibited foreign entity’
21 means, with respect to any property—

22 “(i) any component, subcomponent, or
23 applicable critical mineral (as defined in
24 section 45X(c)(6)) included in such prop-
25 erty that is extracted, processed, recycled,

1 manufactured, or assembled by a prohib-
2 ited foreign entity, and

3 “(ii) any design of such property
4 which is based on any copyright or patent
5 held by a prohibited foreign entity or any
6 know-how or trade secret provided by a
7 prohibited foreign entity.

8 “(B) EXCLUSION.—

9 “(i) IN GENERAL.—The term ‘mate-
10 rial assistance from a prohibited foreign
11 entity’ shall not include any assembly part
12 or constituent material, provided that such
13 part or material is not acquired directly
14 from a prohibited foreign entity.

15 “(ii) ASSEMBLY PART.—For purposes
16 of this subparagraph, the term ‘assembly
17 part’ means a subcomponent or collection
18 of subcomponents which is—

19 “(I) not uniquely designed for
20 use in the construction of a qualified
21 facility described in section 45Y or
22 48E or an eligible component de-
23 scribed in section 45X, and

1 “(II) not exclusively or predomi-
2 nantly produced by prohibited foreign
3 entities.

4 “(iii) CONSTITUENT MATERIAL.—For
5 purposes of this subparagraph, the term
6 ‘constituent material’ means any material
7 which is—

8 “(I) not uniquely formulated for
9 use in a qualified facility described in
10 section 45Y or 48E or an eligible
11 component described in section 45X,
12 and

13 “(II) not exclusively or predomi-
14 nantly produced, processed, or ex-
15 tracted by prohibited foreign entities.

16 “(iv) REGULATIONS AND GUID-
17 ANCE.—The Secretary may prescribe such
18 regulations and guidance as may be nec-
19 essary or appropriate to carry out the pro-
20 visions of this paragraph.”.

21 (e) EFFECTIVE DATES.—

22 (1) IN GENERAL.—Except as provided in para-
23 graph (2), the amendments made by this section
24 shall apply to taxable years beginning after the date
25 of enactment of this Act.

1 “(C) for any qualified investment with re-
2 spect to any qualified facility or energy storage
3 technology placed in service during calendar
4 year 2031, 40 percent, and

5 “(D) for any qualified investment with re-
6 spect to any qualified facility or energy storage
7 technology placed in service after December 31,
8 2031, 0 percent.”.

9 (b) RESTRICTIONS RELATING TO PROHIBITED FOR-
10 EIGN ENTITIES.—

11 (1) IN GENERAL.—Section 48E is amended—

12 (A) in subsection (b)(3), by adding at the
13 end the following new subparagraph:

14 “(D) MATERIAL ASSISTANCE FROM PRO-
15 HIBITED FOREIGN ENTITIES.—The term ‘quali-
16 fied facility’ shall not include any facility the
17 construction of which begins after the date that
18 is one year after the date of the enactment of
19 this subparagraph if the construction of such
20 facility includes any material assistance from a
21 prohibited foreign entity (as defined in section
22 7701(a)(52)).”, and

23 (B) in subsection (e), by adding at the end
24 the following new paragraph:

1 “(3) MATERIAL ASSISTANCE FROM PROHIBITED
2 FOREIGN ENTITIES.—The term ‘energy storage tech-
3 nology’ shall not include any property the construc-
4 tion of which begins after the date that is one year
5 after the date of the enactment of this paragraph if
6 the construction of such property includes any mate-
7 rial assistance from a prohibited foreign entity (as
8 defined in section 7701(a)(52)).”.

9 (2) RESTRICTIONS RELATING TO PROHIBITED
10 FOREIGN ENTITIES.—Section 48E(d) is amended by
11 adding at the end the following new paragraph:

12 “(6) RESTRICTIONS RELATING TO PROHIBITED
13 FOREIGN ENTITIES.—

14 “(A) IN GENERAL.—No credit determined
15 under subsection (a) shall be allowed under sec-
16 tion 38 for any taxable year beginning after the
17 date of enactment of this paragraph if the tax-
18 payer is a specified foreign entity (as defined in
19 section 7701(a)(51)(B)).

20 “(B) OTHER PROHIBITED FOREIGN ENTI-
21 TIES.—No credit determined under subsection
22 (a) shall be allowed under section 38 for any
23 taxable year beginning after the date which is
24 2 years after the date of enactment of this
25 paragraph if—

1 “(i) the taxpayer is a foreign-influ-
2 enced entity (as defined in section
3 7701(a)(51)(D)), or

4 “(ii) during such taxable year, the
5 taxpayer—

6 “(I) makes a payment of divi-
7 dends, interest, compensation for serv-
8 ices, rentals or royalties, guarantees
9 or any other fixed, determinable, an-
10 nual, or periodic amount to a prohib-
11 ited foreign entity (as defined in sec-
12 tion 7701(a)(51)) in an amount which
13 is equal to or greater than 5 percent
14 of the total of such payments made by
15 such taxpayer during such taxable
16 year which are related to the produc-
17 tion of electricity or storage of energy,
18 or

19 “(II) makes payments described
20 in subclause (I) to more than 1 pro-
21 hibited foreign entity (as so defined)
22 in an amount which, in the aggregate,
23 is equal to or greater than 15 percent
24 of the total of such payments made by
25 such taxpayer during such taxable

1 year which are related to the produc-
2 tion of electricity or storage of en-
3 ergy.”.

4 (3) RECAPTURE.—Section 50(a) is amended—

5 (A) by redesignating paragraphs (4)
6 through (6) as paragraphs (5) through (7), re-
7 spectively,

8 (B) by inserting after paragraph (3) the
9 following new paragraph:

10 “(4) PAYMENTS TO PROHIBITED FOREIGN EN-
11 TITIES.—

12 “(A) IN GENERAL.—If there is an applica-
13 ble payment made by a specified taxpayer be-
14 fore the close of the 10-year period beginning
15 on the date such taxpayer placed in service in-
16 vestment credit property which is eligible for
17 the clean electricity investment credit under
18 section 48E(a), then the tax under this chapter
19 for the taxable year in which such applicable
20 payment occurs shall be increased by 100 per-
21 cent of the aggregate decrease in the credits al-
22 lowed under section 38 for all prior taxable
23 years which would have resulted solely from re-
24 ducing to zero any credit determined under sec-
25 tion 46 which is attributable to the clean elec-

1 tricity investment credit under section 48E(a)
2 with respect to such property.

3 “(B) APPLICABLE PAYMENT.—For pur-
4 poses of this paragraph, the term ‘applicable
5 payment’ means, with respect to any taxable
6 year, a payment or payments described in sub-
7 clause (I) or (II) of section 48E(d)(6)(B)(ii).

8 “(C) SPECIFIED TAXPAYER.—For pur-
9 poses of this paragraph, the term ‘specified tax-
10 payer’ means any taxpayer who has been al-
11 lowed a credit under section 48E(a) for any
12 taxable year beginning after the date which is
13 2 years after the date of enactment of this
14 paragraph.”,

15 (C) in paragraph (5), as redesignated by
16 subparagraph (A), by striking “or any applica-
17 ble transaction to which paragraph (3)(A) ap-
18 plies,” and inserting “any applicable trans-
19 action to which paragraph (3)(A) applies, or
20 any applicable payment to which paragraph
21 (4)(A) applies,” and

22 (D) in paragraph (7), as redesignated by
23 subparagraph (A), by striking “or (3)” and in-
24 serting “(3), or (4)”.

1 (c) REPEAL OF TRANSFERABILITY.—Section 6418,
2 as amended by section 112008, is amended—

3 (1) in subsection (f)(1)(A), by striking clause
4 (xi), and

5 (2) in subsection (g)(3), by striking “clauses
6 (ix) through (xi)” and inserting “clause (ix) or (x)”.

7 (d) CONFORMING AMENDMENTS.—Section 48E(h)(4)
8 is amended—

9 (1) in subparagraph (C), by striking “December
10 31 of the applicable year (as defined in section
11 45Y(d)(3))” and inserting “December 31, 2031”,

12 (2) in subparagraph (D), by striking “the third
13 calendar year following the applicable year (as de-
14 fined in section 45Y(d)(3))” and inserting “2031”,
15 and

16 (3) in subparagraph (E)(i), by striking “after
17 the date that is 4 years after the date of the alloca-
18 tion with respect to the facility of which such prop-
19 erty is a part” and inserting “the earlier of—

20 “(I) the date that is 4 years after
21 the date of the allocation with respect
22 to the facility of which such property
23 is a part, or

24 “(II) December 31, 2031.”.

25 (e) EFFECTIVE DATES.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (2), the amendments made by this section
3 shall apply to taxable years beginning after the date
4 of enactment of this Act.

5 (2) OTHER PROVISIONS.—The amendments
6 made by subsection (c) shall apply to facilities and
7 energy storage technology for which construction be-
8 gins after the date that is 2 years after the date of
9 enactment of this Act.

10 **SEC. 112010. REPEAL OF TRANSFERABILITY OF CLEAN**
11 **FUEL PRODUCTION CREDIT.**

12 (a) IN GENERAL.—Section 6418(f)(1)(A), as amend-
13 ed by sections 112008 and 112009, is amended by striking
14 clause (viii).

15 (b) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to fuel produced after December
17 31, 2027.

18 **SEC. 112011. RESTRICTIONS ON CARBON OXIDE SEQUES-**
19 **TRATION CREDIT.**

20 (a) RESTRICTIONS RELATING TO PROHIBITED FOR-
21 EIGN ENTITIES.—Section 45Q(f) is amended by adding
22 at the end the following new paragraph:

23 “(10) RESTRICTIONS RELATING TO PROHIB-
24 ITED FOREIGN ENTITIES.—

1 “(A) IN GENERAL.—No credit determined
2 under subsection (a) shall be allowed under sec-
3 tion 38 for any taxable year beginning after the
4 date of enactment of this paragraph if the tax-
5 payer is a specified foreign entity (as defined in
6 section 7701(a)(51)(B)).

7 “(B) OTHER PROHIBITED FOREIGN ENTI-
8 TIES.—No credit determined under subsection
9 (a) shall be allowed under section 38 for any
10 taxable year beginning after the date which is
11 2 years after the date of enactment of this
12 paragraph if the taxpayer is a foreign-influ-
13 enced entity (as defined in section
14 7701(a)(51)(D)).”.

15 (b) REPEAL OF TRANSFERABILITY.—Section
16 6418(f)(1), as amended by sections 112008, 112009, and
17 112010, is amended—

18 (1) in subparagraph (A), by striking clause (iii),

19 and

20 (2) in subparagraph (B)—

21 (A) in the matter preceding clause (i), by
22 striking “clause (ii), (iii), or (v)” and inserting
23 “clause (ii) or (v)”, and

1 (B) in clause (ii), by striking “(or, in the
2 case” and all that follows through “at such fa-
3 cility)”.

4 (c) EFFECTIVE DATES.—

5 (1) RESTRICTIONS RELATING TO PROHIBITED
6 FOREIGN ENTITIES.—The amendments made by
7 subsection (a) shall apply to taxable years beginning
8 after the date of enactment of this Act.

9 (2) REPEAL OF TRANSFERABILITY.—The
10 amendments made by subsection (b) shall apply to
11 carbon capture equipment the construction of which
12 begins after the date that is 2 years after the date
13 of enactment of this Act.

14 **SEC. 112012. PHASE-OUT AND RESTRICTIONS ON ZERO-**
15 **EMISSION NUCLEAR POWER PRODUCTION**
16 **CREDIT.**

17 (a) PHASE-OUT.—Section 45U(e) is amended to read
18 as follows:

19 “(e) CREDIT PHASE-OUT.—

20 “(1) IN GENERAL.—For any taxable year be-
21 ginning after December 31, 2028, the amount of the
22 zero-emission nuclear power production credit under
23 subsection (a) for such taxable year shall be equal
24 to the product of—

1 “(A) the amount of the credit determined
2 under subsection (a) without regard to this sub-
3 section, multiplied by

4 “(B) the phase-out percentage under para-
5 graph (2).

6 “(2) PHASE-OUT PERCENTAGE.—The phase-out
7 percentage under this paragraph is equal to—

8 “(A) for any taxable year beginning in cal-
9 endar year 2029, 80 percent,

10 “(B) for any taxable year beginning in cal-
11 endar year 2030, 60 percent,

12 “(C) for any taxable year beginning in cal-
13 endar year 2031, 40 percent, and

14 “(D) for any taxable year beginning after
15 December 31, 2031, 0 percent.”.

16 (b) RESTRICTIONS RELATING TO PROHIBITED FOR-
17 EIGN ENTITIES.—Section 45U(c) is amended by adding
18 at the end the following new paragraph:

19 “(3) RESTRICTIONS RELATING TO PROHIBITED
20 FOREIGN ENTITIES.—

21 “(A) IN GENERAL.—No credit determined
22 under subsection (a) shall be allowed under sec-
23 tion 38 for any taxable year beginning after the
24 date of enactment of this paragraph if the tax-

1 payer is a specified foreign entity (as defined in
2 section 7701(a)(51)(B)).

3 “(B) OTHER PROHIBITED FOREIGN ENTI-
4 TIES.—No credit determined under subsection
5 (a) shall be allowed under section 38 for any
6 taxable year beginning after the date which is
7 2 years after the date of enactment of this
8 paragraph if the taxpayer is a foreign-influ-
9 enced entity (as defined in section
10 7701(a)(51)(D)).”.

11 (c) REPEAL OF TRANSFERABILITY.—Section
12 6418(f)(1)(A), as amended by section 112008, 112009,
13 112010, and 112011, is amended by striking clause (iv).

14 (d) EFFECTIVE DATES.—

15 (1) IN GENERAL.—Except as provided in para-
16 graph (2), the amendments made by this section
17 shall apply to taxable years beginning after the date
18 of enactment of this Act.

19 (2) REPEAL OF TRANSFERABILITY.—The
20 amendment made by subsection (c) shall apply to
21 electricity produced and sold after December 31,
22 2027.

1 **SEC. 112013. TERMINATION OF CLEAN HYDROGEN PRODUC-**
2 **TION CREDIT.**

3 (a) **TERMINATION.**—Section 45V(c)(3)(C) is amend-
4 ed by striking “January 1, 2033” and inserting “January
5 1, 2026”.

6 (b) **EFFECTIVE DATE.**—The amendment made by
7 this section shall apply to facilities the construction of
8 which begins after December 31, 2025.

9 **SEC. 112014. PHASE-OUT AND RESTRICTIONS ON AD-**
10 **VANCED MANUFACTURING PRODUCTION**
11 **CREDIT.**

12 (a) **PHASE-OUT.**—Section 45X(b)(3) is amended—

13 (1) in subparagraph (B)—

14 (A) in clause (ii), by adding “and” at the
15 end,

16 (B) in clause (iii), by striking “during cal-
17 endar year 2032, 25 percent,” and inserting
18 “after December 31, 2031, 0 percent.”, and

19 (C) by striking clause (iv), and

20 (2) by striking subparagraph (C) and inserting
21 the following:

22 “(C) **TERMINATION FOR WIND ENERGY**
23 **COMPONENTS.**—This section shall not apply to
24 wind energy components sold after December
25 31, 2027.”.

1 (b) RESTRICTIONS RELATING TO PROHIBITED FOR-
2 EIGN ENTITIES.—Section 45X is amended—

3 (1) in subsection (c)(1), by adding at the end
4 the following new subparagraph:

5 “(C) MATERIAL ASSISTANCE FROM PRO-
6 HIBITED FOREIGN ENTITIES.—In the case of
7 taxable years beginning after the date which is
8 2 years after the date of enactment of this sub-
9 paragraph, the term ‘eligible component’ shall
10 not include any property which—

11 “(i) includes any material assistance
12 from a prohibited foreign entity (as defined
13 in section 7701(a)(52)), or

14 “(ii) is produced subject to a licensing
15 agreement with a prohibited foreign entity
16 (as defined in section 7701(a)(51)) for
17 which the value of such agreement is in ex-
18 cess of \$1,000,000.”, and

19 (2) in subsection (d), by adding at the end the
20 following new paragraph:

21 “(5) RESTRICTIONS RELATING TO PROHIBITED
22 FOREIGN ENTITIES.—

23 “(A) IN GENERAL.—No credit determined
24 under subsection (a) shall be allowed under sec-
25 tion 38 for any taxable year beginning after the

1 date of enactment of this paragraph if the tax-
2 payer is a specified foreign entity (as defined in
3 section 7701(a)(51)(B)).

4 “(B) OTHER PROHIBITED FOREIGN ENTI-
5 TIES.—No credit determined under subsection
6 (a) shall be allowed under section 38 for any
7 taxable year beginning after the date which is
8 2 years after the date of enactment of this
9 paragraph if the taxpayer is a foreign-influ-
10 enced entity (as defined in section
11 7701(a)(51)(D)).

12 “(C) PAYMENTS TO PROHIBITED FOREIGN
13 ENTITIES.—

14 “(i) IN GENERAL.—If, for any taxable
15 year beginning after the date that is 2
16 years after the date of the enactment of
17 this paragraph, a taxpayer is described in
18 clause (ii) for such taxable year with re-
19 spect to any eligible component category,
20 no credit shall be determined under sub-
21 section (a) for eligible components in such
22 eligible component category for such tax-
23 able year.

24 “(ii) TAXPAYER DESCRIBED.—A tax-
25 payer is described in this clause for a tax-

1 able year with respect to any eligible com-
2 ponent category if such taxpayer—

3 “(I) makes a payment of divi-
4 dends, interest, compensation for serv-
5 ices, rentals or royalties, guarantees
6 or any other fixed, determinable, an-
7 nual, or periodic amount to a prohib-
8 ited foreign entity (as defined in sec-
9 tion 7701(a)(51)) in an amount which
10 is equal to or greater than 5 percent
11 of the total of such payments made by
12 such taxpayer during such taxable
13 year which are related to the produc-
14 tion of eligible components included
15 within such eligible component cat-
16 egory, or

17 “(II) makes payments described
18 in subclause (I) to more than 1 pro-
19 hibited foreign entity (as so defined)
20 in an amount which, in the aggregate,
21 is equal to or greater than 15 percent
22 of such payments made by such tax-
23 payer during such taxable year which
24 are related to the production of eligi-

1 ble components included within such
2 eligible component category.

3 “(iii) ELIGIBLE COMPONENT CAT-
4 EGORY.—For purposes of this subpara-
5 graph, the term ‘eligible component cat-
6 egory’ means eligible components which
7 are included within each respective clause
8 under subsection (c)(1)(A).”.

9 (c) REPEAL OF TRANSFERABILITY.—Section 6418,
10 as amended by sections 112008, 112009, 112010,
11 112011, and 112012 is amended—

12 (1) in subsection (f)(1)—

13 (A) in subparagraph (A)—

14 (i) by striking clause (vi), and

15 (ii) by redesignating clauses (v), (ix),
16 and (x) as clauses (iii), (iv), and (v), re-
17 spectively, and

18 (B) in subparagraph (B), by striking
19 “clause (ii) or (v)” and inserting “clause (ii) or
20 (iii)”, and

21 (2) in subsection (g)(3), by striking “clause (ix)
22 or (x)” and inserting “clause (iv) or (v)”.

23 (d) EFFECTIVE DATES.—

24 (1) IN GENERAL.—Except as provided in para-
25 graph (2), the amendments made by this section

1 shall apply to taxable years beginning after the date
2 of enactment of this Act.

3 (2) REPEAL OF TRANSFERABILITY.—The
4 amendments made by subsection (c) shall apply to
5 components sold after December 31, 2027.

6 **SEC. 112015. PHASE-OUT OF CREDIT FOR CERTAIN ENERGY**
7 **PROPERTY.**

8 (a) PHASE-OUT.—Section 48(a) is amended—

9 (1) in paragraph (3)(vii), by striking “the con-
10 struction of which begins before January 1, 2035”
11 and inserting “the construction of which begins be-
12 fore January 1, 2032”, and

13 (2) by striking paragraph (7) and inserting the
14 following new paragraph:

15 “(7) PHASE-OUT FOR CERTAIN ENERGY PROP-
16 erty.—In the case of any energy property described
17 in clause (vii) of paragraph (3)(A), the energy per-
18 centage determined under paragraph (2) shall be
19 equal to—

20 “(A) in the case of any property the con-
21 struction of which begins before January 1,
22 2030, and which is placed in service after De-
23 cember 31, 2021, 6 percent,

24 “(B) in the case of any property the con-
25 struction of which begins after December 31,

1 2029, and before January 1, 2031, 5.2 percent,
2 and

3 “(C) in the case of any property the con-
4 struction of which begins after December 31,
5 2030, and before January 1, 2032, 4.4 per-
6 cent.”.

7 (b) RESTRICTIONS RELATING TO PROHIBITED FOR-
8 EIGN ENTITIES.—Section 48(a) is amended by redesi-
9 gnating paragraph (16) as paragraph (17) and by inserting
10 after paragraph (15) the following new paragraph:

11 “(16) RESTRICTIONS RELATING TO PROHIB-
12 ITED FOREIGN ENTITIES.—

13 “(A) IN GENERAL.—No credit determined
14 under this subsection for energy property de-
15 scribed in paragraph (3)(A)(vii) shall be allowed
16 under section 38 for any taxable year beginning
17 after the date of enactment of this paragraph
18 if the taxpayer is a specified foreign entity (as
19 defined in section 7701(a)(51)(B)).

20 “(B) OTHER PROHIBITED FOREIGN ENTI-
21 TIES.—No credit determined under this sub-
22 section for energy property described in para-
23 graph (3)(A)(vii) shall be allowed under section
24 38 for any taxable year beginning after the date
25 which is 2 years after the date of enactment of

1 this paragraph if the taxpayer is a foreign-influ-
2 enced entity (as defined in section
3 7701(a)(51)(D)).”.

4 (c) REPEAL OF TRANSFERABILITY.—Section
5 6418(f)(1)(A)(iv), as redesignated by section 112014, is
6 amended by inserting “(except so much of the credit as
7 is determined under paragraph (3)(A)(vii) of such sec-
8 tion)” after “section 48”.

9 (d) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as provided in para-
11 graph (2), the amendments made by this section
12 shall apply to taxable years beginning after the date
13 of the enactment of this Act.

14 (2) REPEAL OF TRANSFERABILITY.—The
15 amendments made by subsection (c) shall apply to
16 property the construction of which begins after the
17 date that is 2 years after the date of enactment of
18 this Act.

19 **SEC. 112016. INCOME FROM HYDROGEN STORAGE, CARBON**
20 **CAPTURE ADDED TO QUALIFYING INCOME OF**
21 **CERTAIN PUBLICLY TRADED PARTNERSHIPS**
22 **TREATED AS CORPORATIONS.**

23 (a) IN GENERAL.—Section 7704(d)(1)(E) is amend-
24 ed—

1 (1) by striking “income and gains derived from
2 the exploration” and inserting “income and gains
3 derived from—

4 “(i) the exploration”,

5 (2) by inserting “or” before “industrial
6 source”, and

7 (3) by striking “, or the transportation or stor-
8 age” and all that follows and inserting the following:

9 “(ii) the transportation or storage
10 of—

11 “(I) any fuel described in sub-
12 section (b), (c), (d), (e), or (k) of sec-
13 tion 6426, or any alcohol fuel defined
14 in section 6426(b)(4)(A) or any bio-
15 diesel fuel as defined in section
16 40A(d)(1) or sustainable aviation fuel
17 as defined in section 40B(d)(1), or

18 “(II) liquified hydrogen or com-
19 pressed hydrogen, or

20 “(iii) in the case of a qualified facility
21 (as defined in section 45Q(d), without re-
22 gard to any date by which construction of
23 the facility is required to begin) not less
24 than 50 percent of the total carbon oxide

1 production of which is qualified carbon
2 oxide (as defined in section 45Q(c))—

3 “(I) the generation, availability
4 for such generation, or storage of elec-
5 tric power at such facility, or

6 “(II) the capture of carbon diox-
7 ide by such facility.”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2025.

11 **SEC. 112017. LIMITATION ON AMORTIZATION OF CERTAIN**
12 **SPORTS FRANCHISES.**

13 (a) IN GENERAL.—Section 197 is amended by redес-
14 ignating subsection (g) as subsection (h) and by inserting
15 after subsection (f) the following new subsection:

16 “(g) LIMITATION ON AMORTIZATION OF CERTAIN
17 SPORTS FRANCHISES.—

18 “(1) IN GENERAL.—In the case of a specified
19 sports franchise intangible, subsection (a) shall be
20 applied by substituting ‘50 percent of the adjusted
21 basis’ for ‘the adjusted basis’.

22 “(2) SPECIFIED SPORTS FRANCHISE INTAN-
23 GIBLE.—For purposes of this subsection, the term
24 ‘specified sports franchise intangible’ means any am-
25 ortizable section 197 intangible which is—

1 “(A) a franchise to engage in professional
2 football, basketball, baseball, hockey, soccer, or
3 other professional sport, or

4 “(B) acquired in connection with such a
5 franchise.”.

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

9 **SEC. 112018. LIMITATION ON INDIVIDUAL DEDUCTIONS FOR**
10 **CERTAIN STATE AND LOCAL TAXES, ETC.**

11 (a) IN GENERAL.—Section 275 is amended by redес-
12 ignating subsection (b) as subsection (c) and by inserting
13 after subsection (a) the following new subsection:

14 “(b) LIMITATION ON INDIVIDUAL DEDUCTIONS FOR
15 CERTAIN STATE AND LOCAL TAXES, ETC.—

16 “(1) LIMITATION.—

17 “(A) IN GENERAL.—In the case of an indi-
18 vidual, no deduction shall be allowed for—

19 “(i) any disallowed foreign real prop-
20 erty taxes, and

21 “(ii) any specified taxes to the extent
22 that such taxes for such taxable year in
23 the aggregate exceed—

1 “(I) \$15,000, in the case of a
2 married individual filing a separate
3 return, and

4 “(II) \$30,000, in the case of any
5 other taxpayer.

6 “(B) PHASEDOWN BASED ON MODIFIED AD-
7 JUSTED GROSS INCOME.—

8 “(i) IN GENERAL.—Except as pro-
9 vided in clause (ii), the \$15,000 amount in
10 subparagraph (A)(ii)(I) and the \$30,000
11 amount in subparagraph (A)(ii)(II) shall
12 each be reduced by 20 percent of the ex-
13 cess (if any) of the taxpayer’s modified ad-
14 justed gross income over—

15 “(I) \$200,000, in the case of a
16 married individual filing a separate
17 return, and

18 “(II) \$400,000, in the case of
19 any other taxpayer.

20 “(ii) LIMITATION ON REDUCTION.—
21 The reduction under clause (i) shall not re-
22 sult in—

23 “(I) the dollar amount in effect
24 under subparagraph (A)(ii)(I) being
25 less than \$5,000, or

1 “(II) the dollar amount in effect
2 under subparagraph (A)(ii)(II) being
3 less than \$10,000.

4 “(C) MODIFIED ADJUSTED GROSS IN-
5 COME.—For purposes of this paragraph, the
6 term ‘modified adjusted gross income’ means
7 adjusted gross income increased by any amount
8 excluded from gross income under section 911,
9 931, or 933.

10 “(2) DISALLOWED FOREIGN REAL PROPERTY
11 TAX.—For purposes of this subsection, the term
12 ‘disallowed foreign real property tax’ means any tax
13 which—

14 “(A) is a foreign real property tax de-
15 scribed in section 164(a)(1) or 216(a)(1), and

16 “(B) is not an excepted tax.

17 “(3) SPECIFIED TAX.—For purposes of this
18 subsection, the term ‘specified tax’ means—

19 “(A) any tax which—

20 “(i) is described in paragraph (1), (2),
21 or (3) of section 164(a), section 164(b)(5),
22 or section 216(a)(1), and

23 “(ii) is not an excepted tax or a dis-
24 allowed foreign real property tax, and

25 “(B) any substitute payment.

1 “(4) EXCEPTED TAX.—For purposes of this
2 subsection—

3 “(A) IN GENERAL.—The term ‘excepted
4 tax’ means—

5 “(i) any foreign tax described in sec-
6 tion 164(a)(3),

7 “(ii) any tax described in section
8 164(a)(3) which is paid or accrued by a
9 qualifying entity with respect to carrying
10 on a qualified trade or business (as defined
11 in section 199A(d), without regard to sec-
12 tion 199A(b)(3)), and

13 “(iii) any tax described in paragraph
14 (1) or (2) of section 164(a), or section
15 216(a)(1), which is paid or accrued in car-
16 rying on a trade or business or an activity
17 described in section 212.

18 “(B) QUALIFYING ENTITY.—For purposes
19 of subparagraph (A), the term ‘qualifying enti-
20 ty’ means any partnership or S corporation
21 with gross receipts for the taxable year (within
22 the meaning of section 448(c)) if at least 75
23 percent of such gross receipts are derived in a
24 qualified trade or business (as defined in sec-
25 tion 199A(d), without regard to section

1 199A(b)(3)). For purposes of the preceding
2 sentence, the gross receipts of all trades or
3 businesses which are under common control
4 (within the meaning of section 52(b)) with any
5 trade or business of the partnership or S cor-
6 poration shall be taken into account as gross
7 receipts of the entity.

8 “(5) SUBSTITUTE PAYMENT.—For purposes of
9 this subsection—

10 “(A) IN GENERAL.—The term ‘substitute
11 payment’ means any amount (other than a tax
12 described in paragraph (3)(A)) paid, incurred,
13 or accrued to any entity referred to in section
14 164(b)(2) if, under the laws of one or more en-
15 tities referred to in section 164(b)(2), one or
16 more persons would (if the assumptions de-
17 scribed in subparagraphs (B) and (C) applied)
18 be entitled to specified tax benefits the aggre-
19 gate dollar value of which equals or exceeds 25
20 percent of such amount.

21 “(B) ASSUMPTION REGARDING DOLLAR
22 VALUE OF TAX BENEFITS.—The assumption de-
23 scribed in this subparagraph is that the dollar
24 value of a specified tax benefit is—

1 “(i) in the case of a credit or refund,
2 the amount of such credit or refund,

3 “(ii) in the case of a deduction or ex-
4 clusion, 15 percent of the amount of such
5 deduction or exclusion, and

6 “(iii) in any other case, an amount
7 determined in such manner as the Sec-
8 retary may provide consistent with the
9 principles of clauses (i) and (ii).

10 “(C) ASSUMPTION REGARDING STATUS OF
11 PARTNERS OR SHAREHOLDERS.—The assump-
12 tion described in this subparagraph is, in the
13 case of any amount referred to in subparagraph
14 (A) which is paid, incurred, or accrued by a
15 partnership or S corporation, that all of the
16 partners or shareholders of such partnership or
17 S corporation, respectively, are individuals who
18 are residents of the jurisdiction of the entity or
19 entities providing the specified tax benefits (and
20 possess such other characteristics as the laws of
21 such entities may require for entitlement to
22 such benefits).

23 “(D) SPECIFIED TAX BENEFIT.—For pur-
24 poses of subparagraph (A), the term ‘specified
25 tax benefit’ means any benefit which—

1 “(i) is determined with respect to the
2 amount referred to in subparagraph (A),
3 and

4 “(ii) is allowed against, or determined
5 by reference to, a tax described in para-
6 graph (3)(A).

7 “(E) EXCEPTION FOR NON-DEDUCTIBLE
8 PAYMENTS.—To the extent that a deduction for
9 an amount described in subparagraph (A) is
10 not allowed under this chapter (determined
11 without regard to this subsection, section
12 170(b)(1), section 703(a), section 704(d), and
13 section 1363(b)), the term ‘substitute payment’
14 shall not include such amount.

15 “(F) EXCEPTION FOR CERTAIN WITH-
16 HOLDING TAXES.—To the extent provided in
17 regulations issued by the Secretary, the term
18 ‘substitute payment’ shall not include an
19 amount withheld on behalf of another person if
20 all of such amount is included in the gross in-
21 come of such person (determined under this
22 chapter).

23 “(6) REGULATIONS.—The Secretary shall issue
24 such regulations or other guidance as may be nec-
25 essary or appropriate to carry out the purposes of

1 this subsection, including regulations or other guid-
2 ance—

3 “(A) to treat as a tax described in para-
4 graph (3) of section 164(a) any tax that is, in
5 substance, based on general tax principles, de-
6 scribed in such paragraph,

7 “(B) to treat as a substitute payment any
8 amount that, in substance, substitutes for a
9 specified tax,

10 “(C) to provide for the proper allocation,
11 for purposes of paragraph (4)(A)(ii), of taxes
12 described in section 164(a)(3) between trades
13 or business described in section 199A(d)(1) and
14 trades or business not so described, and

15 “(D) to otherwise prevent the avoidance of
16 the purposes of this subsection.”.

17 (b) STATE AND LOCAL INCOME TAXES PAID BY
18 PARTNERSHIPS AND S CORPORATIONS TAKEN INTO AC-
19 COUNT SEPARATELY BY PARTNERS AND SHARE-
20 HOLDERS.—

21 (1) IN GENERAL.—Section 702(a)(6) is amend-
22 ed to read as follows:

23 “(6)(A) taxes, described in section 901, paid or
24 accrued to foreign countries,

1 “(B) taxes, described in section 901, paid or ac-
2 crued to possessions of the United States,

3 “(C) specified taxes (within the meaning of sec-
4 tion 275(b)), other than taxes described in subpara-
5 graph (B), and

6 “(D) taxes described in section 275(b)(2),”.

7 (2) TREATMENT OF SUBSTITUTE PAYMENTS.—
8 Section 702 is amended by redesignating subsection
9 (d) as subsection (e) and by inserting after sub-
10 section (c) the following new subsection:

11 “(d) TREATMENT OF SUBSTITUTE PAYMENTS.—Any
12 substitute payment (as defined in section 275(b)(5)) shall
13 be taken into account under subsection (a)(6)(C) and not
14 under any other paragraph of subsection (a).”.

15 (3) DISALLOWANCE OF DEDUCTION TO PART-
16 NERSHIPS.—Section 703(a)(2)(B) is amended to
17 read as follows:

18 “(B) any deduction under this chapter
19 with respect to taxes or payments described in
20 section 702(a)(6),”.

21 (4) S CORPORATIONS.—For corresponding pro-
22 visions related to S corporations which apply by rea-
23 son of the amendments made by paragraphs (1)
24 through (3), see sections 1366(a)(1) and 1363(b)(2)
25 of the Internal Revenue Code of 1986.

1 (5) ALLOWABLE SALT DEDUCTIONS TAKEN
2 INTO ACCOUNT FOR PURPOSES OF LIMITATION ON
3 PARTNERSHIP LOSSES.—Section 704(d)(3) is
4 amended by striking subparagraph (A), by redesignig-
5 nating subparagraph (B) as subparagraph (C), and
6 by inserting before subparagraph (C) (as so redesignig-
7 nated) the following new subparagraphs:

8 “(A) IN GENERAL.—In determining the
9 amount of any loss under paragraph (1), there
10 shall be taken into account—

11 “(i) the partner’s distributive share of
12 amounts described in paragraphs (4) and
13 (6)(A) of section 702(a),

14 “(ii) if the taxpayer chooses to take to
15 any extent the benefits of section 901, the
16 partner’s distributive share of amounts de-
17 scribed in section 702(a)(6)(B), and

18 “(iii) the amount by which the deduc-
19 tions allowed under this chapter (deter-
20 mined without regard to this subsection) to
21 the partner would decrease if the partner’s
22 distributive share of amounts described in
23 section 702(a)(6)(C) were not taken into
24 account.

1 “(2) the sum of the State and local tax alloca-
2 tion mismatches for such taxable year with respect
3 to each partnership specified tax payment with re-
4 spect to which such individual is a covered indi-
5 vidual.

6 “(b) COVERED INDIVIDUAL.—For purposes of this
7 section, the term ‘covered individual’ means, with respect
8 to any partnership specified tax payment, any individual
9 (or estate or trust) who—

10 “(1) is entitled (directly or indirectly) to one or
11 more specified tax benefits with respect to such pay-
12 ment, and

13 “(2) takes into account (directly or indirectly)
14 any item of income, gain, deduction, loss, or credit
15 of the partnership which made such payment.

16 “(c) STATE AND LOCAL TAX ALLOCATION MIS-
17 MATCH.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘State and local
19 tax allocation mismatch’ means, with respect to any
20 partnership specified tax payment, the excess (if
21 any) of—

22 “(A) the aggregate dollar value of the
23 specified tax benefits of the covered individual
24 with respect to such payment, over

1 “(B) the amount of such payment taken
2 into account by such individual under section
3 702(a) (without regard to sections 275(b) and
4 704(d)).

5 “(2) TAXABLE YEAR OF INDIVIDUAL IN WHICH
6 MISMATCH TAKEN INTO ACCOUNT.—In the case of
7 any partnership specified tax payment paid, in-
8 curred, or accrued in any taxable year of the part-
9 nership, the State and local tax allocation mismatch
10 determined under paragraph (1) with respect to
11 such payment shall be taken into account under sub-
12 section (a) by the covered individual for the taxable
13 year of such individual in which such individual
14 takes into account the items referred to in sub-
15 section (b)(2) which are determined with respect to
16 such partnership taxable year.

17 “(d) DETERMINATION OF DOLLAR VALUE OF SPECI-
18 FIED TAX BENEFITS.—

19 “(1) IN GENERAL.—Except in the case of a cov-
20 ered individual who elects the application of para-
21 graph (3) for any taxable year, the dollar value of
22 any specified tax benefit shall be the sum of—

23 “(A) the aggregate increase in tax liability
24 (and reduction in credit or refund) for taxes de-
25 scribed in section 275(b)(3)(A) for the taxable

1 year and all prior taxable years that would re-
2 sult if such specified tax benefit were not taken
3 into account with respect to such taxes, plus

4 “(B) the deemed value of any carryforward
5 of such specified tax benefit (including any tax
6 attribute derived from such benefit) to any sub-
7 sequent taxable year.

8 “(2) DEEMED VALUE OF CARRYFORWARDS.—
9 For purposes of paragraph (1), the deemed value of
10 any carryforward is—

11 “(A) in the case of a credit or refund, the
12 amount of such credit or refund,

13 “(B) in the case of a deduction or exclu-
14 sion, the product of—

15 “(i) the highest rate of tax which may
16 be imposed on individuals under the tax re-
17 ferred to in subsection (e)(3)(B) with re-
18 spect to the specified tax benefit, multi-
19 plied by

20 “(ii) the amount of such deduction or
21 exclusion, and

22 “(C) in any other case, an amount deter-
23 mined in such manner as the Secretary may
24 provide consistent with the principles of sub-
25 paragraphs (A) and (B).

1 “(3) ELECTION OF SIMPLIFIED METHOD.—In
2 the case of a covered individual who elects the appli-
3 cation of this paragraph for any taxable year, the
4 dollar value of any specified tax benefit shall be de-
5 termined under the assumptions described in section
6 275(b)(5)(B).

7 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—
8 For purposes of this section—

9 “(1) PARTNERSHIP SPECIFIED TAX PAY-
10 MENT.—The term ‘partnership specified tax pay-
11 ment’ means any specified tax paid, incurred, or ac-
12 quired by a partnership.

13 “(2) SPECIFIED TAX.—The term ‘specified tax’
14 has the meaning given such term by section
15 275(b)(3).

16 “(3) SPECIFIED TAX BENEFIT.—The term
17 ‘specified tax benefit’ means any benefit which—

18 “(A) is determined with respect to a part-
19 nership specified tax payment, and

20 “(B) is allowed against, or determined by
21 reference to, a tax described in section
22 275(b)(3)(A).

23 “(f) REGULATIONS.—The Secretary shall issue such
24 regulations or other guidance as may be necessary or ap-
25 propriate to carry out the purposes of this section, includ-

1 ing regulations or other guidance preventing avoidance of
2 the addition to tax prescribed by this section through part-
3 nership allocations that achieve similar tax reductions as
4 a State and local tax allocation mismatch.”.

5 (2) CLERICAL AMENDMENT.—The table of sec-
6 tions for part I of subchapter A of chapter 68 is
7 amended by adding at the end the following new
8 item:

“Sec. 6659. State and local tax allocation mismatch.”.

9 (d) LIMITATION ON CAPITALIZATION OF SPECIFIED
10 TAXES.—Section 275, as amended by the preceding provi-
11 sions of this section, is amended by redesignating sub-
12 section (c) as subsection (d) and by inserting after sub-
13 section (b) the following new subsection:

14 “(c) LIMITATIONS ON CAPITALIZATION OF SPECI-
15 FIED TAXES.—Notwithstanding any other provision of
16 this chapter, in the case of an individual, specified taxes
17 (as defined in subsection (b)) shall not be treated as
18 chargeable to capital account.”.

19 (e) REPORTING BY PARTNERSHIPS AND S CORPORA-
20 TIONS WITH RESPECT TO SPECIFIED SERVICE TRADE OR
21 BUSINESS INCOME.—

22 (1) PARTNERSHIPS.—Section 6031 is amended
23 by adding at the end the following new subsection:

24 “(g) SPECIFIED SERVICE TRADE OR BUSINESS IN-
25 COME.—Returns required under subsection (a), and copies

1 required to be furnished under subsection (b), shall in-
2 clude a statement of whether or not the partnership had
3 any gross receipts (within the meaning of section 448(e))
4 from a trade or business described in subsection
5 199A(d)(2).”.

6 (2) S CORPORATIONS.—Section 6037 is amend-
7 ed by adding at the end the following new sub-
8 section:

9 “(d) SPECIFIED SERVICE TRADE OR BUSINESS IN-
10 COME.—Returns required under subsection (a), and copies
11 required to be furnished under subsection (b), shall in-
12 clude a statement of whether or not the S corporation had
13 any gross receipts (within the meaning of section 448(e))
14 from a trade or business described in subsection
15 199A(d)(2).”.

16 (f) CONFORMING AMENDMENT.—Section 164(b) is
17 amended by striking paragraph (6).

18 (g) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2025.

1 **SEC. 112019. EXCESSIVE EMPLOYEE REMUNERATION FROM**
2 **CONTROLLED GROUP MEMBERS AND ALLO-**
3 **CATION OF DEDUCTION.**

4 (a) APPLICATION OF AGGREGATION RULES.—Section
5 162(m) is amended by adding at the end the following new
6 paragraph:

7 “(7) REMUNERATION FROM CONTROLLED
8 GROUP MEMBERS.—

9 “(A) IN GENERAL.—In the case of any
10 publicly held corporation which is a member of
11 a controlled group—

12 “(i) paragraph (1) shall be applied by
13 substituting ‘specified covered employee’
14 for ‘covered employee’, and

15 “(ii) if any person which is a member
16 of such controlled group (other than such
17 publicly held corporation) provides applica-
18 ble employee remuneration to an individual
19 who is a specified covered employee of such
20 controlled group and the aggregate amount
21 described in subparagraph (B)(ii) with re-
22 spect to such specified covered employee
23 exceeds \$1,000,000—

24 “(I) paragraph (1) shall apply to
25 such person with respect to such re-
26 munerations, and

1 “(II) paragraph (1) shall apply
2 to such publicly held corporation and
3 to each such related person by sub-
4 stituting ‘the allocable limitation
5 amount’ for ‘\$1,000,000’.

6 “(B) ALLOCABLE LIMITATION AMOUNT.—
7 For purposes of this paragraph, the term ‘allo-
8 cable limitation amount’ means, with respect to
9 any member of the controlled group referred to
10 in subparagraph (A) with respect to any speci-
11 fied covered employee of such controlled group,
12 the amount which bears the same ratio to
13 \$1,000,000 as—

14 “(i) the amount of applicable em-
15 ployee remuneration provided by such
16 member with respect to such specified cov-
17 ered employee, bears to

18 “(ii) the aggregate amount of applica-
19 ble employee remuneration provided by all
20 such members with respect to such speci-
21 fied covered employee.

22 “(C) SPECIFIED COVERED EMPLOYEE.—
23 For purposes of this paragraph, the term ‘speci-
24 fied covered employee’ means, with respect to
25 any controlled group—

1 “(i) any employee described in sub-
2 paragraph (A), (B), or (D) of paragraph
3 (3), with respect to the publicly held cor-
4 poration which is a member of such con-
5 trolled group, and

6 “(ii) any employee who would be de-
7 scribed in subparagraph (C) of paragraph
8 (3) if such subparagraph were applied by
9 taking into account the employees of all
10 members of the controlled group.

11 “(D) CONTROLLED GROUP.—For purposes
12 of this paragraph, the term ‘controlled group’
13 means any group treated as a single employer
14 under subsection (b), (c), (m), or (o) of section
15 414.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to taxable years beginning after
18 December 31, 2025.

19 **SEC. 112020. EXPANDING APPLICATION OF TAX ON EXCESS**
20 **COMPENSATION WITHIN TAX-EXEMPT ORGA-**
21 **NIZATIONS.**

22 (a) IN GENERAL.—Section 4960(c)(2) is amended to
23 read as follows:

24 “(2) COVERED EMPLOYEE.—For purposes of
25 this section, the term ‘covered employee’ means any

1 employee (including any former employee) of an ap-
2 plicable tax-exempt organization or any related per-
3 son or governmental entity.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 subsection (a) shall apply to taxable years beginning after
6 December 31, 2025.

7 **SEC. 112021. MODIFICATION OF EXCISE TAX ON INVEST-**
8 **MENT INCOME OF CERTAIN PRIVATE COL-**
9 **LEGES AND UNIVERSITIES.**

10 (a) IN GENERAL.—Section 4968 is amended to read
11 as follows:

12 **“SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME**
13 **OF PRIVATE COLLEGES AND UNIVERSITIES.**

14 “(a) TAX IMPOSED.—There is hereby imposed on
15 each applicable educational institution for the taxable year
16 a tax equal to the applicable percentage of the net invest-
17 ment income of such institution for the taxable year.

18 “(b) APPLICABLE PERCENTAGE.—For purposes of
19 this section, the term ‘applicable percentage’ means—

20 “(1) 1.4 percent in the case of an institution
21 with a student adjusted endowment in excess of
22 \$500,000, and not in excess of \$750,000,

23 “(2) 7 percent in the case of an institution with
24 a student adjusted endowment in excess of
25 \$750,000, and not in excess of \$1,250,000,

1 “(3) 14 percent in the case of an institution
2 with a student adjusted endowment in excess of
3 \$1,250,000, and not in excess of \$2,000,000, and

4 “(4) 21 percent in the case of an institution
5 with a student adjusted endowment in excess of
6 \$2,000,000.

7 “(c) APPLICABLE EDUCATIONAL INSTITUTION.—For
8 purposes of this subchapter—

9 “(1) IN GENERAL.—The term ‘applicable edu-
10 cational institution’ means an eligible educational in-
11 stitution (as defined in section 25A(f)(2))—

12 “(A) which had at least 500 tuition-paying
13 students during the preceding taxable year,

14 “(B) more than 50 percent of the tuition-
15 paying students of which are located in the
16 United States,

17 “(C) which is not—

18 “(i) described in the first sentence of
19 section 511(a)(2)(B) (relating to State col-
20 leges and universities), or

21 “(ii) a qualified religious institution,
22 and

23 “(D) the student adjusted endowment of
24 which is at least \$500,000.

1 “(2) QUALIFIED RELIGIOUS INSTITUTION.—For
2 purposes of this subsection, the term ‘qualified reli-
3 gious institution’ means any institution—

4 “(A) established after July 4, 1776,

5 “(B) that was established by or in associa-
6 tion with and has continuously maintained an
7 affiliation with an organization described in sec-
8 tion 170(b)(1)(A)(i), and

9 “(C) which maintains a published institu-
10 tional mission that is approved by the governing
11 body of such institution and that includes, re-
12 fers to, or is predicated upon religious tenets,
13 beliefs, or teachings.

14 “(d) STUDENT ADJUSTED ENDOWMENT.—For pur-
15 poses of this section—

16 “(1) IN GENERAL.—The term ‘student adjusted
17 endowment’ means, with respect to any institution
18 for any taxable year—

19 “(A) the aggregate fair market value of
20 the assets of such institution (determined as of
21 the end of the preceding taxable year), other
22 than those assets which are used directly in car-
23 rying out the institution’s exempt purpose, di-
24 vided by

1 “(B) the number of eligible students of
2 such institution.

3 “(2) ELIGIBLE STUDENT.—For purposes of
4 this subsection, the term ‘eligible student’ means a
5 student of the institution that meets the student eli-
6 gibility requirements under section 484(a)(5) of the
7 Higher Education Act of 1965.

8 “(e) DETERMINATION OF NUMBER OF STUDENTS.—
9 For purposes of subsections (c)(1) and (d), the number
10 of students of an institution (including for purposes of de-
11 termining the number of students at a particular location)
12 shall be based on the daily average number of full-time
13 students attending such institution (with part-time stu-
14 dents taken into account on a full-time student equivalent
15 basis).

16 “(f) NET INVESTMENT INCOME.—For purposes of
17 this section—

18 “(1) IN GENERAL.—Net investment income
19 shall be determined under rules similar to the rules
20 of section 4940(c).

21 “(2) OVERRIDE OF CERTAIN REGULATORY EX-
22 CEPTIONS.—

23 “(A) STUDENT LOAN INTEREST.—Net in-
24 vestment income shall be determined by taking
25 into account any interest income from a student

1 loan made by the applicable educational institu-
2 tion (or any related organization) as gross in-
3 vestment income.

4 “(B) FEDERALLY-SUBSIDIZED ROYALTY
5 INCOME.—

6 “(i) IN GENERAL.—Net investment in-
7 come shall be determined by taking into
8 account any Federally-subsidized royalty
9 income as gross investment income.

10 “(ii) FEDERALLY-SUBSIDIZED ROY-
11 ALTY INCOME.—For purposes of this sub-
12 paragraph—

13 “(I) IN GENERAL.—The term
14 ‘Federally-subsidized royalty income’
15 means any otherwise-regulatory-ex-
16 empt royalty income if any Federal
17 funds were used in the research, de-
18 velopment, or creation of the patent,
19 copyright, or other intellectual or in-
20 tangible property from which such
21 royalty income is derived.

22 “(II) OTHERWISE-REGULATORY-
23 EXEMPT ROYALTY INCOME.—For pur-
24 poses of this subparagraph, the term
25 ‘otherwise-regulatory-exempt royalty

1 income' means royalty income which
2 (but for this subparagraph) would not
3 be taken into account as gross invest-
4 ment income by reason of being de-
5 rived from patents, copyrights, or
6 other intellectual or intangible prop-
7 erty which resulted from the work of
8 students or faculty members in their
9 capacities as such with the applicable
10 educational institution.

11 “(III) FEDERAL FUNDS.—The
12 term ‘Federal funds’ includes any
13 grant made by, and any payment
14 made under any contract with, any
15 Federal agency to the applicable edu-
16 cational institution, any related orga-
17 nization, or any student or faculty
18 member referred to in subclause (II).

19 “(g) ASSETS AND NET INVESTMENT INCOME OF RE-
20 LATED ORGANIZATIONS.—

21 “(1) IN GENERAL.—For purposes of sub-
22 sections (d) and (f), assets and net investment in-
23 come of any related organization with respect to an
24 educational institution shall be treated as assets and

1 net investment income, respectively, of the edu-
2 cational institution, except that—

3 “(A) no such amount shall be taken into
4 account with respect to more than 1 educational
5 institution, and

6 “(B) unless such organization is controlled
7 by such institution or is described in section
8 509(a)(3) with respect to such institution for
9 the taxable year, assets and net investment in-
10 come which are not intended or available for
11 the use or benefit of the educational institution
12 shall not be taken into account.

13 “(2) RELATED ORGANIZATION.—For purposes
14 of this subsection, the term ‘related organization’
15 means, with respect to an educational institution,
16 any organization which—

17 “(A) controls, or is controlled by, such in-
18 stitution,

19 “(B) is controlled by 1 or more persons
20 which also control such institution, or

21 “(C) is a supported organization (as de-
22 fined in section 509(f)(3)), or an organization
23 described in section 509(a)(3), during the tax-
24 able year with respect to such institution.

1 “(h) REGULATIONS.—The Secretary shall prescribe
2 such regulations or other guidance as may be necessary
3 to prevent avoidance of the tax under this section, includ-
4 ing regulations or other guidance to prevent avoidance of
5 such tax through the restructuring of endowment funds
6 or other arrangements designed to reduce or eliminate the
7 value of net investment income or assets subject to the
8 tax imposed by this section.”.

9 (b) REQUIREMENT TO REPORT CERTAIN INFORMA-
10 TION WITH RESPECT TO APPLICATION OF EXCISE TAX
11 BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES
12 AND UNIVERSITIES.—Section 6033 is amended by redес-
13 ignating subsection (o) as subsection (p) and by inserting
14 after subsection (n) the following new subsection:

15 “(o) REQUIREMENT TO REPORT CERTAIN INFORMA-
16 TION WITH RESPECT TO EXCISE TAX BASED ON INVEST-
17 MENT INCOME OF PRIVATE COLLEGES AND UNIVER-
18 SITIES.—Each applicable educational institution described
19 in section 4968(e) which is subject to the requirements
20 of subsection (a) shall include on the return required
21 under subsection (a)—

22 “(1) the number of eligible students taken into
23 account under section 4968(c)(1)(D), and

24 “(2) the number of students of such institution
25 (determined after application of section 4968(e)).”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2025.

4 **SEC. 112022. INCREASE IN RATE OF TAX ON NET INVEST-**
5 **MENT INCOME OF CERTAIN PRIVATE FOUN-**
6 **DATIONS.**

7 (a) IN GENERAL.—Section 4940(a) is amended by
8 striking “1.39 percent” and inserting “the applicable per-
9 centage”.

10 (b) APPLICABLE PERCENTAGE.—Section 4940(a) is
11 amended—

12 (1) by striking “There is hereby” and inserting
13 the following:

14 “(1) IMPOSITION OF TAX.—There is hereby”,
15 and

16 (2) by adding at the end the following new
17 paragraphs:

18 “(2) APPLICABLE PERCENTAGE.—For purposes
19 of this subsection, the term ‘applicable percentage’
20 means, with respect to any taxable year—

21 “(A) in the case of a private foundation
22 with assets of less than \$50,000,000, 1.39 per-
23 cent,

1 “(B) in the case of a private foundation
2 with assets of at least \$50,000,000, and less
3 than \$250,000,000, 2.78 percent,

4 “(C) in the case of a private foundation
5 with assets of at least \$250,000,000, and less
6 than \$5,000,000,000, 5 percent, and

7 “(D) in the case of a private foundation
8 with assets of at least \$5,000,000,000, 10 per-
9 cent.

10 “(3) ASSETS.—For purposes of this subsection,
11 the assets of any private foundation shall be deter-
12 mined with respect to any taxable year as being the
13 aggregate fair market value of all assets of such pri-
14 vate foundation, as determined as of the close of
15 such taxable year. The preceding sentence shall be
16 applied without reduction for any liabilities.

17 “(4) AGGREGATION.—

18 “(A) IN GENERAL.—For purposes of para-
19 graphs (2) and (3), assets of any related orga-
20 nization with respect to a private foundation
21 shall be treated as assets of the private founda-
22 tion, except that—

23 “(i) no such assets shall be taken into
24 account with respect to more than 1 pri-
25 vate foundation, and

1 “(ii) unless such organization is con-
2 trolled by such private foundation, assets
3 which are not intended or available for the
4 use or benefit of the private foundation
5 shall not be taken into account.

6 “(B) RELATED ORGANIZATION.—For pur-
7 poses of this paragraph, the term ‘related orga-
8 nization’ means, with respect to a private foun-
9 dation, any organization which—

10 “(i) controls, or is controlled by, such
11 private foundation, or

12 “(ii) is controlled by 1 or more per-
13 sons which also control such private foun-
14 dation.”.

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

18 **SEC. 112023. CERTAIN PURCHASES OF EMPLOYEE-OWNED**
19 **STOCK DISREGARDED FOR PURPOSES OF**
20 **FOUNDATION TAX ON EXCESS BUSINESS**
21 **HOLDINGS.**

22 (a) IN GENERAL.—Section 4943(c)(4)(A) is amended
23 by adding at the end the following new clauses:

1 “(v) For purposes of clause (i), subpara-
2 graph (D), and paragraph (2), any voting stock
3 which—

4 “(I) is not readily tradable on an es-
5 tablished securities market,

6 “(II) is purchased by the business en-
7 terprise on or after January 1, 2020, from
8 an employee stock ownership plan (as de-
9 fined in section 4975(e)(7)) in which em-
10 ployees of such business enterprise partici-
11 pate, in connection with a distribution
12 from such plan, and

13 “(III) is held by the business enter-
14 prise as treasury stock, cancelled, or re-
15 tired,

16 shall be treated as outstanding voting stock, but
17 only to the extent so treating such stock would
18 not result in permitted holdings exceeding 49
19 percent (determined without regard to this
20 clause). The preceding sentence shall not apply
21 with respect to the purchase of stock from a
22 plan during the 10-year period beginning on the
23 date the plan is established.

24 “(vi) Section 4943(c)(4)(A)(ii) shall not
25 apply with respect to any decrease in the per-

1 centage of holdings in a business enterprise by
2 reason of the application of clause (v).”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to taxable years ending after the
5 date of the enactment of this Act and to purchases by
6 a business enterprise of voting stock in taxable years be-
7 ginning after December 31, 2019.

8 **SEC. 112024. UNRELATED BUSINESS TAXABLE INCOME IN-**
9 **CREASED BY AMOUNT OF CERTAIN FRINGE**
10 **BENEFIT EXPENSES FOR WHICH DEDUCTION**
11 **IS DISALLOWED.**

12 (a) **IN GENERAL.**—Section 512(a) is amended by
13 adding at the end the following new paragraph:

14 “(7) **INCREASE IN UNRELATED BUSINESS TAX-**
15 **ABLE INCOME BY DISALLOWED FRINGE.**—

16 “(A) **IN GENERAL.**—Unrelated business
17 taxable income of an organization shall be in-
18 creased by any amount—

19 “(i) which is paid or incurred by such
20 organization for any qualified transpor-
21 tation fringe (as defined in section 132(f))
22 or any parking facility used in connection
23 with qualified parking (as defined in sec-
24 tion 132(f)(5)(C)),

1 “(ii) which is not directly connected
2 with an unrelated trade or business which
3 is regularly carried on by the organization,
4 and

5 “(iii) for which a deduction is not al-
6 lowable under this chapter by reason of
7 section 274.

8 “(B) EXCEPTION FOR CHURCH ORGANIZA-
9 TIONS.—Subparagraph (A) shall not apply to—

10 “(i) any organization to which section
11 6033(a)(1) does not apply by reason of
12 clause (i) or (iii) of section 6033(a)(3)(A),
13 and

14 “(ii) any church-affiliated organiza-
15 tion described in section 501(e) which is
16 not required to file an annual return under
17 section 6033(a)(1) by reason of section
18 6033(a)(3)(B).

19 “(C) TREATMENT AS INCOME FROM SEPA-
20 RATE TRADE OR BUSINESS.—For purposes of
21 paragraph (6), any increase under subpara-
22 graph (A) shall be treated as unrelated business
23 taxable income with respect to an unrelated
24 trade or business separate from any other unre-
25 lated trade or business of the organization.

1 of this subsection, any income derived from any sale
2 or licensing described in section 513(k) shall be in-
3 cluded as an item of gross income derived from an
4 unrelated trade or business.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2025.

8 **SEC. 112026. EXCLUSION OF RESEARCH INCOME LIMITED**
9 **TO PUBLICLY AVAILABLE RESEARCH.**

10 (a) IN GENERAL.—Section 512(b)(9) is amended by
11 striking “from research” and inserting “from such re-
12 search”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to amounts received or accrued
15 after December 31, 2025.

16 **SEC. 112027. LIMITATION ON EXCESS BUSINESS LOSSES OF**
17 **NONCORPORATE TAXPAYERS.**

18 (a) RULE MADE PERMANENT.—Section 461(l)(1) is
19 amended by striking “and before January 1, 2029,” each
20 place it appears.

21 (b) CERTAIN NET OPERATING LOSS CARRYOVER
22 TAKEN INTO ACCOUNT.—Section 461(l)(3) is amended—
23 (1) by inserting “(except as provided in sub-
24 paragraph (B))” after “section 172”,

1 (2) by redesignating subparagraphs (B) and
2 (C) as subparagraphs (C) and (D), respectively, and
3 (3) by inserting after subparagraph (A) the fol-
4 lowing new subparagraph:

5 “(B) CERTAIN NET OPERATING LOSS CAR-
6 RYOVER TAKEN INTO ACCOUNT.—

7 “(i) IN GENERAL.—For purposes of
8 subparagraph (A)(i), the aggregate deduc-
9 tions of the taxpayer shall be increased by
10 so much of the net operating loss carried
11 to the taxable year as is attributable to the
12 treatment of a specified loss as a net oper-
13 ating loss under paragraph (2).

14 “(ii) SPECIFIED LOSS.—For purposes
15 of this subparagraph, the term ‘specified
16 loss’ means a loss which is disallowed
17 under paragraph (1) for a taxable year be-
18 ginning after December 31, 2024.”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2025.

1 **SEC. 112028. 1-PERCENT FLOOR ON DEDUCTION OF CHARI-**
2 **TABLE CONTRIBUTIONS MADE BY CORPORA-**
3 **TIONS.**

4 (a) **IN GENERAL.**—Section 170(b)(2)(A) is amended
5 to read as follows:

6 “(A) **IN GENERAL.**—Any charitable con-
7 tribution (other than any contribution to which
8 subparagraph (B) or subparagraph (C) applies
9 or any contribution for which a deduction is not
10 allowable under this section without regard to
11 this paragraph) shall be allowed as a deduction
12 under this subsection (a) only to the extent that
13 the aggregate of such contributions—

14 “(i) exceeds 1 percent of the tax-
15 payer’s taxable income, and

16 “(ii) does not exceed 10 percent of the
17 taxpayer’s taxable income.”.

18 (b) **APPLICATION OF CARRYFORWARD.**—Section
19 170(d)(2) is amended to read as follows:

20 “(2) **CORPORATIONS.**—

21 “(A) **IN GENERAL.**—Any charitable con-
22 tribution taken into account under subsection
23 (b)(2)(A) for any taxable year which is not al-
24 lowed as a deduction by reason of clause (ii)
25 thereof shall be taken into account as a chari-
26 table contribution for the succeeding taxable

1 year, except that, for purposes of determining
2 under this subparagraph whether such contribu-
3 tion is allowed in such succeeding taxable year,
4 contributions in such succeeding taxable year
5 (determined without regard to this paragraph)
6 shall be taken into account under subsection
7 (b)(2)(A) before any contribution taken into ac-
8 count by reason of this paragraph.

9 “(B) 5-YEAR CARRYFORWARD.—No chari-
10 table contribution may be carried forward under
11 subparagraph (A) to any taxable year following
12 the fifth taxable year after the taxable year in
13 which the charitable contribution was first
14 taken into account. For purposes of the pre-
15 ceding sentence, contributions shall be treated
16 as allowed on a first-in first-out basis.

17 “(C) CONTRIBUTIONS DISALLOWED BY 1-
18 PERCENT FLOOR CARRIED FORWARD ONLY
19 FROM YEARS IN WHICH 10 PERCENT LIMITA-
20 TION IS EXCEEDED.—In the case of any taxable
21 year from which a charitable contribution is
22 carried forward under subparagraph (A) (deter-
23 mined without regard this subparagraph), sub-
24 paragraph (A) shall be applied by substituting
25 ‘clause (i) or (ii)’ for ‘clause (ii)’.

1 **“SEC. 899. ENFORCEMENT OF REMEDIES AGAINST UNFAIR**
2 **FOREIGN TAXES.**

3 “(a) INCREASED RATES OF TAX ON FOREIGN PER-
4 SONS OF DISCRIMINATORY FOREIGN COUNTRIES.—

5 “(1) TAXES OTHER THAN WITHHOLDING
6 TAXES.—

7 “(A) IN GENERAL.—In the case of any ap-
8 plicable person, each specified rate of tax (or
9 any rate of tax applicable in lieu of such statu-
10 tory rate) shall be increased by the applicable
11 number of percentage points.

12 “(B) SPECIFIED RATE OF TAX.—For pur-
13 poses of this paragraph, the term ‘specified rate
14 of tax’ means—

15 “(i) the rates of tax specified in para-
16 graphs (1) and (2) of section 871(a),

17 “(ii) in the case of any applicable per-
18 son to which section 871(b) applies, each
19 rate of tax in effect under section 1,

20 “(iii) the rate of tax specified in sec-
21 tion 881(a),

22 “(iv) in the case of any applicable per-
23 son to which section 882(a) applies, the
24 rate of tax specified in section 11(b),

25 “(v) the rate of tax specified in sec-
26 tion 884(a), and

1 “(vi) the rate of tax specified in sec-
2 tion 4948(a).

3 “(C) APPLICATION OF INCREASED RATES
4 TO EFFECTIVELY CONNECTED INCOME OF NON-
5 RESIDENT ALIEN INDIVIDUALS LIMITED TO
6 GAINS ON UNITED STATES REAL PROPERTY IN-
7 TERESTS.—In the case of any individual to
8 whom subparagraph (A) applies, the tax im-
9 posed under section 1 on such individual (after
10 application of subparagraph (A)) shall be re-
11 duced (but not below zero) by the excess of—

12 “(i) the tax which would be imposed
13 under such section (after application of
14 subparagraph (A)) if FIRPTA items were
15 not taken into account, over

16 “(ii) the tax which would be imposed
17 under such section if FIRPTA items were
18 not taken into account, and subparagraph
19 (A) did not apply.

20 For purposes of this clause, the term ‘FIRPTA
21 items’ means gains and losses taken into ac-
22 count under section 871(b)(1) by reason of sec-
23 tion 897(a)(1)(A).

24 “(D) APPLICATION OF INCREASED RATES
25 TO CERTAIN FOREIGN GOVERNMENTS.—In the

1 case of any applicable person described in sub-
2 section (b)(1)(A), section 892(a) shall not
3 apply.

4 “(2) MODIFICATION OF BASE EROSION AND
5 ANTI-ABUSE TAX.—In the case of any corporation
6 described in subsection (b)(1)(E) (applied by sub-
7 stituting ‘corporation’ for ‘foreign corporation’)—

8 “(A) such corporation shall be treated as
9 described in subparagraphs (B) and (C) of sec-
10 tion 59A(e)(1) for purposes of determining
11 whether such corporation is an applicable tax-
12 payer,

13 “(B) section 59A(b)(1) shall be applied
14 by—

15 “(i) substituting ‘12.5 percent’ for ‘10
16 percent’ in subparagraph (A), and

17 “(ii) by treating the amount described
18 in section 59A(b)(1)(B)(ii) as being zero,

19 “(C) subsections (c)(2)(B), (c)(4)(B)(ii),
20 and (d)(5) of section 59A shall not apply, and

21 “(D) if any amount (other than the pur-
22 chase price of depreciable or amortizable prop-
23 erty or inventory) would have been a base ero-
24 sion payment described in section 59A(d)(1)
25 but for the fact that the taxpayer capitalizes

1 the amount, then solely for purposes of calcu-
2 lating the taxpayer's base erosion payments
3 (within the meaning of section 59A(d)) and
4 base erosion tax benefits (within the meaning of
5 section 59A(c)(2)), such amount shall be treat-
6 ed as if it had been deducted rather than cap-
7 italized.

8 “(3) WITHHOLDING TAXES.—

9 “(A) IN GENERAL.—In the case of any
10 payment to an applicable person, each rate of
11 tax specified in section 1441(a) or 1442(a) (or
12 any rate of tax applicable in lieu of such statu-
13 tory rate) shall be increased by the applicable
14 number of percentage points. The preceding
15 sentence shall not apply to the 14 percent rate
16 of tax specified in section 1441(a).

17 “(B) DISPOSITION OF UNITED STATES
18 REAL PROPERTY INTERESTS.—In the case of
19 any disposition of a United States real property
20 interest (as defined in section 897(e)) by an ap-
21 plicable person, the rate of tax specified in sec-
22 tion 1445(a) (or any rate of tax applicable in
23 lieu of such statutory rate) shall be increased
24 by the applicable number of percentage points.

1 “(C) OTHER DISPOSITIONS AND DISTRIBUTIONS RELATED TO UNITED STATES REAL
2 PROPERTIES INTERESTS.—In the case of any dis-
3 position or distribution described in any para-
4 graph of section 1445(e), each rate of tax in
5 such paragraph (or any rate of tax applicable in
6 lieu of such statutory rate) shall be increased
7 by the applicable number of percentage points
8 if—
9

10 “(i) in the case of section 1445(e)(1),
11 the foreign person referred to in subpara-
12 graph (A) or (B) of such section is an ap-
13 plicable person,

14 “(ii) in the case of section 1445(e)(2),
15 the foreign corporation referred to in such
16 section is an applicable person,

17 “(iii) in the case of section
18 1445(e)(3), the foreign shareholder re-
19 ferred to in such section is an applicable
20 person,

21 “(iv) in the case of section 1445(e)(4),
22 the foreign person referred to in such sec-
23 tion is an applicable person,

1 “(v) in the case of section 1445(e)(5),
2 the Secretary issues regulations or other
3 guidance providing for such increase, and

4 “(vi) in the case of section 1445(e)(6),
5 the nonresident alien individual or foreign
6 corporation referred to in such section is
7 an applicable person.

8 “(4) APPLICABLE NUMBER OF PERCENTAGE
9 POINTS.—For purposes of this paragraph—

10 “(A) IN GENERAL.—The term ‘applicable
11 number of percentage points’ means, with re-
12 spect to any discriminatory foreign country—

13 “(i) with respect to the 1-year period
14 beginning on the applicable date with re-
15 spect to such foreign country, 5 percentage
16 points, and

17 “(ii) with respect to any period after
18 the 1-year period to which clause (i) ap-
19 plies, the sum of —

20 “(I) 5 percentage points, plus

21 “(II) an additional 5 percentage
22 points for each annual anniversary of
23 such applicable date which has oc-
24 curred before the beginning of such
25 period.

1 “(B) CAP ON INCREASE.—Notwithstanding
2 subparagraph (A), the increase in any rate
3 under paragraph (1) or (3) shall not result in
4 such rate exceeding the amount of the statutory
5 rate (determined without regard to any rate ap-
6 plicable in lieu of such statutory rate) increased
7 by 20 percentage points.

8 “(C) APPLICABLE DATE.—For purposes of
9 this section, the term ‘applicable date’ means,
10 with respect to any discriminatory foreign coun-
11 try, the first day of the first calendar year be-
12 ginning on or after the latest of—

13 “(i) 90 days after the date of enact-
14 ment of this section,

15 “(ii) 180 days after the date of enact-
16 ment of the unfair foreign tax that causes
17 such country to be treated as a discrimina-
18 tory foreign country, or

19 “(iii) the first date that an unfair for-
20 eign tax of such country begins to apply.

21 “(D) APPLICATION TO TAXABLE YEARS.—
22 For purposes of paragraph (1), the applicable
23 number of percentage points is the applicable
24 number of percentage points in effect for the
25 discriminatory foreign country during the tax-

1 payer's taxable year. If more than one applica-
2 ble number of percentage points is in effect for
3 the discriminatory foreign country during the
4 taxpayer's taxable year, the applicable number
5 of percentage points shall be determined by
6 using a weighted average rate based on each
7 applicable number of percentage points in effect
8 during such taxable year and the number of
9 days during which it was in effect. For pur-
10 poses of the prior sentence, the applicable num-
11 ber of percentage points in effect for the dis-
12 criminatory foreign country for the period be-
13 fore the applicable date is treated as zero, and,
14 if the taxpayer ceases to be an applicable per-
15 son during its taxable year, the applicable num-
16 ber of percentage points in effect for the dis-
17 criminatory foreign country for the period after
18 the taxpayer ceased to be an applicable person
19 is treated as zero.

20 “(E) APPLICATION TO WITHHOLDING
21 TAXES.—For purposes of paragraph (3), the
22 applicable number of percentage points shall be
23 determined with respect to the date of the pay-
24 ment or disposition, as the case may be.

1 “(F) MULTIPLE DISCRIMINATORY FOREIGN
2 COUNTRIES.—For purposes of paragraphs (1)
3 and (3), if, on any day, the taxpayer is an ap-
4 plicable person with respect to more than one
5 discriminatory foreign country, the highest ap-
6 plicable number of percentage points in effect
7 shall apply.

8 “(G) INCREASE NOT APPLICABLE TO NON-
9 DISCRIMINATORY FOREIGN COUNTRIES.—In the
10 case of any foreign country which is not a dis-
11 criminatory foreign country, the applicable
12 number of percentage points is zero.

13 “(5) YEARS TO WHICH APPLICABLE.—

14 “(A) TAXABLE YEAR.—In the case of any
15 person, paragraphs (1) and (2) shall apply to
16 each taxable year beginning—

17 “(i) after the later of—

18 “(I) 90 days after the date of en-
19 actment of this section,

20 “(II) 180 days after the date of
21 enactment of the unfair foreign tax
22 that causes such country to be treated
23 as a discriminatory foreign country,
24 or

1 “(III) the first date that an un-
2 fair foreign tax of such country begins
3 to apply, and

4 “(ii) before the last date on which the
5 discriminatory foreign country imposes an
6 unfair foreign tax.

7 “(B) WITHHOLDING.—In the case of any
8 person, paragraph (3) shall apply to each cal-
9 endar year beginning during the period that
10 such person is an applicable person.

11 “(C) SAFE HARBOR FOR WITHHOLDING.—
12 Paragraph (3) shall not apply—

13 “(i) in the case of any applicable per-
14 son to which clause (ii) does not apply, if
15 the discriminatory foreign country with re-
16 spect to which such person is an applicable
17 person is not listed by the Secretary as a
18 discriminatory foreign country, and

19 “(ii) in the case of any applicable per-
20 son described in subparagraph (E) or (F)
21 of subsection (b)(1), if the discriminatory
22 foreign country with respect to which such
23 person is an applicable person (and such
24 country’s applicable date) has been listed
25 in such guidance for less than 90 days.

1 “(D) TEMPORARY SAFE HARBOR FOR
2 WITHHOLDING AGENTS.—No penalties or inter-
3 est shall be imposed with respect to failures, be-
4 fore January 1, 2027, to deduct or withhold
5 any amounts by reason of paragraph (3) if the
6 person required to deduct or withhold such
7 amounts demonstrates to the satisfaction of the
8 Secretary that such person made best efforts to
9 comply with paragraph (3) in a timely manner.

10 “(b) APPLICABLE PERSON.—For purposes of this
11 section—

12 “(1) IN GENERAL.—Except as otherwise pro-
13 vided by the Secretary, the term ‘applicable person’
14 means—

15 “(A) any government (within the meaning
16 of section 892) of any discriminatory foreign
17 country,

18 “(B) any individual (other than a citizen
19 or resident of the United States) who is tax
20 resident of a discriminatory foreign country,

21 “(C) any foreign corporation (other than a
22 United States-owned foreign corporation, as de-
23 fined in section 904(h)(6)) which is a tax resi-
24 dent of a discriminatory foreign country,

1 “(D) any private foundation (within the
2 meaning of section 4948) created or organized
3 in a discriminatory foreign country,

4 “(E) any foreign corporation (other than a
5 publicly held corporation) if more than 50 per-
6 cent of—

7 “(i) the total combined voting power
8 of all classes of stock of such corporation
9 entitled to vote, or

10 “(ii) the total value of the stock of
11 such corporation,

12 is owned (within the meaning of section 958(a))
13 by persons described in this paragraph,

14 “(F) any trust the majority of the bene-
15 ficial interests of which are held (directly or in-
16 directly) by persons described in this para-
17 graph, and

18 “(G) foreign partnerships, branches, and
19 any other entity identified with respect to a dis-
20 criminatory foreign country by the Secretary
21 for purposes of this subsection.

22 “(2) CONTINUATION OF TREATMENT DURING
23 CERTAIN PERIODS.—For purposes of this section, if
24 a person would cease to be an applicable person for
25 a period of less than one year, such person shall con-

1 tinue to be treated as an applicable person during
2 such period.

3 “(c) UNFAIR FOREIGN TAX.—For purposes of this
4 section—

5 “(1) IN GENERAL.—The term ‘unfair foreign
6 tax’ means an undertaxed profits rule (UTPR), dig-
7 ital services tax, diverted profits tax, and, to the ex-
8 tent provided by the Secretary, an extraterritorial
9 tax, discriminatory tax, or any other tax enacted
10 with a public or stated purpose indicating the tax
11 will be economically borne, directly or indirectly, dis-
12 proportionately by United States persons. Such term
13 shall not include any tax which neither applies to—

14 “(A) any United States person (including
15 a trade or business of a United States person),
16 nor

17 “(B) any foreign corporation (including a
18 trade or business of such foreign corporation) if
19 the foreign corporation is a controlled foreign
20 corporation and more than 50 percent of the
21 total combined voting power of all classes of
22 stock of such corporation entitled to vote, or the
23 total value of the stock of such corporation) is
24 owned (within the meaning of section 958(a))
25 by United States persons.

1 “(2) EXTRATERRITORIAL TAX.—The term
2 ‘extraterritorial tax’ means any tax imposed by a
3 foreign country on a corporation (including any
4 trade or business of such corporation) which is de-
5 termined by reference to any income or profits re-
6 ceived by any person (including any trade or busi-
7 ness of any person) by reason of such person being
8 connected to such corporation through any chain of
9 ownership, determined without regard to the owner-
10 ship interests of any individual, and other than by
11 reason of such corporation having a direct or indi-
12 rect ownership interest in such person.

13 “(3) DISCRIMINATORY TAX.—The term ‘dis-
14 criminatory tax’ means any tax imposed by a foreign
15 country if—

16 “(A) such tax applies more than inciden-
17 tally to items of income that would not be con-
18 sidered to be from sources, or effectively con-
19 nected to a trade or business, within the foreign
20 country under the rules of part I of this sub-
21 chapter if such part were applied by treating
22 such foreign country as though it were the
23 United States,

1 “(B) such tax is imposed on a base other
2 than net income and is not computed by per-
3 mitting recovery of costs and expenses,

4 “(C) such tax is exclusively or predomi-
5 nantly applicable, in practice or by its terms, to
6 nonresident individuals and foreign corporations
7 or partnerships (as determined under rules
8 similar to paragraphs (4) and (5) of section
9 7701(a) by treating the foreign country as
10 though it were the United States) because of
11 the application of revenue thresholds, exemp-
12 tions or exclusions for taxpayers subject to such
13 foreign country’s corporate income tax, or re-
14 strictions of scope that ensure that substantially
15 all residents (other than foreign corporations
16 and partnerships (as so determined)) supplying
17 comparable goods or services are excluded from
18 the application of such tax, or

19 “(D) such tax is not treated as an income
20 tax under the laws of such foreign country or
21 is otherwise treated by such foreign country as
22 outside the scope of any agreements that are in
23 force between such foreign country and one or
24 more other jurisdictions for the avoidance of
25 double taxation with respect to taxes on income.

1 “(4) EXCEPTIONS.—Except as otherwise pro-
2 vided by the Secretary, the terms ‘extraterritorial
3 tax’ and ‘discriminatory tax’ shall not include any
4 generally applicable tax which constitutes—

5 “(A) an income tax generally imposed on
6 the income of citizens or residents of the for-
7 eign country, even if the computation of income
8 includes payments that would be foreign source
9 income under part I of this subchapter,

10 “(B) an income tax which would be an un-
11 fair foreign tax (determined without regard to
12 this subparagraph) solely because it is imposed
13 on the income of nonresidents attributable to a
14 trade or business in such foreign country,

15 “(C) an income tax which would be an un-
16 fair foreign tax (determined without regard to
17 this subparagraph) solely because it is imposed
18 on citizens or residents of such foreign country
19 by reference to the income of a corporate sub-
20 sidiary of such person,

21 “(D) a withholding tax, or other gross
22 basis tax, on any amount described in section
23 871(a)(1) or 881(a), other than any with-
24 holding tax, or other gross basis tax, imposed

1 with respect to services performed by persons
2 other than individuals,

3 “(E) a value added tax, goods and services
4 tax, sales tax, or other similar tax on consump-
5 tion,

6 “(F) a tax imposed with respect to trans-
7 actions on a per-unit or per-transaction basis
8 rather than on an ad valorem basis,

9 “(G) a tax on real or personal property, an
10 estate tax, a gift tax, other similar tax,

11 “(H) a tax which would not be an
12 extraterritorial tax or discriminatory tax (deter-
13 mined without regard to this subparagraph) ex-
14 cept by reason of consolidation or loss sharing
15 rules that generally apply only with respect to
16 income of tax residents of the foreign country,
17 or

18 “(I) any other tax identified by the Sec-
19 retary for purposes of this paragraph.

20 “(d) OTHER DEFINITIONS.—For purposes of this
21 section—

22 “(1) DISCRIMINATORY FOREIGN COUNTRY.—
23 The term ‘discriminatory foreign country’ means any
24 foreign country which has one or more unfair for-
25 eign taxes.

1 “(2) FOREIGN COUNTRY.—The term ‘foreign
2 country’ means a foreign country (or political sub-
3 division thereof) or a dependent territory or posses-
4 sion of a foreign country. Such term does not in-
5 clude any possession of the United States.

6 “(3) TAX.—The term ‘tax’ includes any in-
7 crease in tax whether effectuated by an increase in
8 the rate or base of a tax, by a denial of deductions
9 or credits, or otherwise.

10 “(e) REGULATIONS AND OTHER GUIDANCE.—The
11 Secretary shall issue such regulations or other guidance
12 as may be necessary or appropriate to carry out the pur-
13 poses of this section, including regulations or other guid-
14 ance which—

15 “(1) provide for such adjustments to the appli-
16 cation of this section as are necessary to prevent the
17 avoidance of the purposes of this section, including
18 the application of this section (including subsections
19 (b)(1)(E) and (c)(2)(A)(ii)) with respect to
20 branches, partnerships, and other entities (whether
21 or not otherwise disregarded for purposes of this
22 chapter),

23 “(2) list the discriminatory foreign countries
24 (and each such country’s applicable date) in guid-
25 ance, and update such guidance on a quarterly basis,

1 “(3) provide notice to Congress with respect to
2 changes to the list under paragraph (2),

3 “(4) exercise the authority to provide exceptions
4 under subsections (b)(1), (c)(4), and

5 “(5) prevent the application of subsection
6 (a)(2)(D) from resulting in double counting of
7 amounts for purposes of section 59A(c)(4)(A)(ii).”.

8 (b) CLERICAL AMENDMENT.—The table of sections
9 for subpart D of part II of subchapter N of chapter 1
10 is amended by adding at the end the following new item:

“Sec. 899. Enforcement of remedies against unfair foreign taxes.”.

11 **SEC. 112030. REDUCTION OF EXCISE TAX ON FIREARMS SI-**
12 **LENCERS.**

13 (a) IN GENERAL.—Section 5811(a) is amended to
14 read as follows:

15 “(a) RATE.—There shall be levied, collected, and paid
16 on firearms transferred a tax at the rate of—

17 “(1) \$5 for each firearm transferred in the case
18 of a weapon classified as any other weapon under
19 section 5845(e),

20 “(2) \$0 for each firearm transferred in the case
21 of a silencer (as defined in section 5845(a)(7)), and

22 “(3) \$200 for any other firearm transferred.”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to transfers after the date of the
25 enactment of this Act.

1 **SEC. 112031. MODIFICATIONS TO DE MINIMIS ENTRY PRIVI-**
2 **LEGE FOR COMMERCIAL SHIPMENTS.**

3 (a) CIVIL PENALTY.—

4 (1) ADDITIONAL PENALTY IMPOSED.—Section
5 321 of the Tariff Act of 1930 (19 U.S.C. 1321) is
6 amended by adding at the end the following new
7 subsection:

8 “(c) Any person who enters, introduces, facilitates,
9 or attempts to introduce an article into the United States
10 using the privilege of this section, the importation of which
11 violates any other provision of United States law, shall be
12 assessed, in addition to any other penalty permitted by
13 law, a civil penalty of up to \$5,000 for the first violation
14 and up to \$10,000 for each subsequent violation.”

15 (2) EFFECTIVE DATE.—The amendment made
16 by paragraph (1) shall take effect 30 days after the
17 date of the enactment of this Act.

18 (b) REPEAL OF COMMERCIAL SHIPMENT EXCEP-
19 TION.—

20 (1) REPEAL.—Section 321(a)(2)(B) of such Act
21 (19 U.S.C. 1321(a)(2)(B)) is amended by striking
22 “of this Act, or” and all that follows through “sub-
23 division (2); and” and inserting “of this Act; and”.

24 (2) CONFORMING REPEAL.—Subsection (c) of
25 such section 321, as added by subsection (a) of this
26 section, is repealed.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall take effect on July 1, 2027.

3 **SEC. 112032. LIMITATION ON DRAWBACK OF TAXES PAID**
4 **WITH RESPECT TO SUBSTITUTED MERCHAN-**
5 **DISE.**

6 Effective for claims filed on or after July 1, 2026,
7 for purposes of drawback of internal revenue tax imposed
8 under chapter 52 of the Internal Revenue Code of 1986,
9 the amount of drawback granted under such Code, or the
10 Tariff Act of 1930, on the export or destruction of sub-
11 stituted merchandise may not exceed the amount of taxes
12 paid (and not returned by refund, credit, or drawback)
13 on the substituted merchandise.

14 **PART 2—REMOVING TAXPAYER BENEFITS FOR**
15 **ILLEGAL IMMIGRANTS**

16 **SEC. 112101. PERMITTING PREMIUM TAX CREDIT ONLY FOR**
17 **CERTAIN INDIVIDUALS.**

18 (a) IN GENERAL.—Section 36B(e)(1) is amended by
19 inserting “or, in the case of aliens who are lawfully
20 present, are not eligible aliens” after “individuals who are
21 not lawfully present”.

22 (b) ELIGIBLE ALIENS.—Section 36B(e)(2) is amend-
23 ed—

1 (1) by striking “For purposes of this section,
2 an individual” and inserting the following: “For pur-
3 poses of this section—

4 “(A) IN GENERAL.—An individual”, and

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

7 “(B) ELIGIBLE ALIENS.—An individual
8 who is an alien and lawfully present shall be
9 treated as an eligible alien if and only if such
10 individual is, and is reasonably expected to be
11 for the entire period of enrollment for which the
12 credit under this section is being claimed—

13 “(i) an alien who is lawfully admitted
14 for permanent residence under the Immi-
15 gration and Nationality Act (8 U.S.C.
16 1101 et seq.),

17 “(ii) an alien who—

18 “(I) is a citizen or national of the
19 Republic of Cuba,

20 “(II) is the beneficiary of an ap-
21 proved petition under section 203(a)
22 of the Immigration and Nationality
23 Act (8 U.S.C. 1153(a)),

24 “(III) meets all eligibility re-
25 quirements for an immigrant visa but

1 for whom such a visa is not imme-
2 diately available,

3 “(IV) is not otherwise inadmis-
4 sible under section 212(a) of such Act
5 (8 U.S.C. 1182(a)), and

6 “(V) is physically present in the
7 United States pursuant to a grant of
8 parole in furtherance of the commit-
9 ment of the United States to the min-
10 imum level of annual legal migration
11 of Cuban nationals to the United
12 States specified in the U.S.-Cuba
13 Joint Communiqué on Migration,
14 done at New York September 9, 1994,
15 and reaffirmed in the Cuba-United
16 States: Joint Statement on Normal-
17 ization of Migration, Building on the
18 Agreement of September 9, 1994,
19 done at New York May 2, 1995, or

20 “(iii) an individual who lawfully re-
21 sides in the United States in accordance
22 with a Compact of Free Association re-
23 ferred to in section 402(b)(2)(G) of the
24 Personal Responsibility and Work Oppor-

1 tunity Reconciliation Act of 1996 (8
2 U.S.C. 1612(b)(2)(G)).”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) VERIFICATION OF INFORMATION.—Section
5 1411 of the Patient Protection and Affordable Care
6 Act (42 U.S.C. 18081) is amended—

7 (A) in subsection (a)—

8 (i) in paragraph (1), by striking “and
9 section 36B(e) of the Internal Revenue
10 Code of 1986”; and

11 (ii) in paragraph (2)—

12 (I) in subparagraph (A), by strik-
13 ing “and” at the end;

14 (II) in subparagraph (B), by add-
15 ing “and” at the end; and

16 (III) by adding at the end the
17 following new subparagraph:

18 “(C) in the case such individual is an alien
19 lawfully present in the United States, whether
20 such individual is an eligible alien (within the
21 meaning of section 36B(e)(2) of such Code);”;

22 (B) in subsection (b)(3), by adding at the
23 end the following new subparagraph:

24 “(D) IMMIGRATION STATUS.—In the case
25 the individual’s eligibility is based on an attes-

1 tation of the enrollee’s immigration status, an
2 attestation that such individual is an eligible
3 alien (within the meaning of 36B(e)(2) of the
4 Internal Revenue Code of 1986).”; and

5 (C) in subsection (e)(2)(B)(ii), by adding
6 at the end the following new subclause:

7 “(III) In the case of an indi-
8 vidual described in clause (i)(I) with
9 respect to whom a premium tax credit
10 or reduced cost-sharing under section
11 36B of the Internal Revenue Code of
12 1986 or section 1402 is being claimed,
13 the attestation that the individual is
14 an eligible alien (within the meaning
15 of section 36B(e)(2) of such Code).”.

16 (2) ADVANCE DETERMINATIONS.—Section
17 1412(d) of the Patient Protection and Affordable
18 Care Act (42 U.S.C. 18082(d)) is amended by in-
19 serting before the period at the end the following:
20 “or, in the case of aliens who are lawfully present,
21 are not eligible aliens (within the meaning of section
22 36B(e)(2) of the Internal Revenue Code of 1986)”.

23 (3) COST-SHARING REDUCTIONS.—Section
24 1402(e) of the Patient Protection and Affordable
25 Care Act (42 U.S.C. 18071(e)) is amended—

1 (A) in the header, by inserting “OR NOT
2 ELIGIBLE ALIENS” after “INDIVIDUALS NOT
3 LAWFULLY PRESENT”;

4 (B) in paragraph (1), in the matter pre-
5 ceding subparagraph (A), by inserting “or, in
6 the case of an alien who is lawfully present, is
7 not an eligible alien (within the meaning of sec-
8 tion 36B(e)(2) of the Internal Revenue Code of
9 1986)” after “not lawfully present”; and

10 (C) by amending paragraph (2) to read as
11 follows:

12 “(2) ELIGIBLE ALIENS.—For purposes of this
13 section, an individual shall be treated as an eligible
14 alien (within the meaning of section 36B(e)(2) of
15 the Internal Revenue Code of 1986) if, and only if,
16 the individual is, and for the entire period of enroll-
17 ment for which the cost-sharing reduction under this
18 section is being claimed is reasonably expected to be,
19 such an alien.”.

20 (4) BASIC HEALTH PROGRAMS.—Section
21 1331(e)(1) of the Patient Protection and Affordable
22 Care Act (42 U.S.C. 18051(e)(1)) is amended by in-
23 serting before the period at the end the following:
24 “or, in the case of an alien who is lawfully present,
25 an individual who is not an eligible alien (as defined

1 in section 36B(e)(2) of the Internal Revenue Code
2 of 1986”.

3 (5) EFFECTIVE DATE.—The amendments made
4 by this subsection shall apply with respect to plan
5 years beginning on or after January 1, 2027.

6 (d) CLERICAL AMENDMENTS.—

7 (1) The heading for section 36B(e) is amended
8 by inserting “AND NOT ELIGIBLE ALIENS” after
9 “INDIVIDUALS NOT LAWFULLY PRESENT”.

10 (2) The heading for section 36B(e)(2) is
11 amended by inserting “; ELIGIBLE ALIENS” after
12 “LAWFULLY PRESENT”.

13 (e) REQUIREMENT TO MAINTAIN MINIMUM ESSEN-
14 TIAL COVERAGE.—Section 5000A(d)(3) is amended by
15 striking “an alien lawfully present in the United States”
16 and inserting “an eligible alien (within the meaning of sec-
17 tion 36B(e)(2))”.

18 (f) REGULATIONS.—The Secretary of the Treasury
19 and the Secretary of Health and Human Services may
20 each prescribe such rules and other guidance as may be
21 necessary or appropriate to carry out the amendments
22 made by this section.

23 (g) EFFECTIVE DATE.—The amendments made by
24 this section (other than the amendments made by sub-

1 section (c)) shall apply to taxable years beginning after
2 December 31, 2026.

3 **SEC. 112102. CERTAIN ALIENS TREATED AS INELIGIBLE**
4 **FOR PREMIUM TAX CREDIT.**

5 (a) IN GENERAL.—Section 36B(e)(2), as amended by
6 the preceding provisions of this Act, is amended by adding
7 at the end the following new subparagraph:

8 “(C) ELIGIBLE ALIENS.—Notwithstanding
9 subparagraph (B), an individual who is an alien
10 and lawfully present shall be treated as an eligi-
11 ble alien if and only if such individual is not,
12 and is reasonably expected not to be for the en-
13 tire period of enrollment for which the credit
14 under this section is being claimed—

15 “(i) an alien granted, or with a pend-
16 ing application for, asylum under section
17 208 of the Immigration and Nationality
18 Act,

19 “(ii) an alien granted parole under
20 section 212(d)(5) or 236(a)(2)(B) of the
21 Immigration and Nationality Act,

22 “(iii) an alien granted temporary pro-
23 tected status under section 244 of the Im-
24 migration and Nationality Act,

1 “(iv) an alien granted deferred action
2 or deferred enforced departure, or

3 “(v) an alien granted withholding of
4 removal under section 241(b)(3) of the Im-
5 migration and Nationality Act.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to taxable years beginning after
8 December 31, 2026.

9 **SEC. 112103. DISALLOWING PREMIUM TAX CREDIT DURING**
10 **PERIODS OF MEDICAID INELIGIBILITY DUE**
11 **TO ALIEN STATUS.**

12 (a) IN GENERAL.—Section 36B(c)(1) is amended by
13 striking subparagraph (B) and by redesignating subpara-
14 graphs (C), (D), and (E) as subparagraphs (B), (C), and
15 (D), respectively.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 36B(g)(4)(A) is amended by strik-
18 ing “subsection (c)(1)(C)” and inserting “subsection
19 (c)(1)(B)”.

20 (2) Section 1331(e)(1)(B) of the Patient Pro-
21 tection and Affordable Care Act (42 U.S.C.
22 18051(e)(1)(B)) is amended by striking “, or, in the
23 case of” and all that follows through “such alien
24 status”.

1 “(2) an alien who is lawfully admitted for per-
2 manent residence under the Immigration and Na-
3 tionality Act;

4 “(3) an alien who—

5 “(A) is a citizen or national of the Repub-
6 lic of Cuba;

7 “(B) is the beneficiary of an approved peti-
8 tion under section 203(a) of the Immigration
9 and Nationality Act;

10 “(C) meets all eligibility requirements for
11 an immigrant visa but for whom such a visa is
12 not immediately available;

13 “(D) is not otherwise inadmissible under
14 section 212(a) of such Act; and

15 “(E) is physically present in the United
16 States pursuant to a grant of parole in further-
17 ance of the commitment of the United States to
18 the minimum level of annual legal migration of
19 Cuban nationals to the United States specified
20 in the U.S.-Cuba Joint Communiqué on Migra-
21 tion, done at New York September 9, 1994, and
22 reaffirmed in the Cuba-United States: Joint
23 Statement on Normalization of Migration,
24 Building on the Agreement of September 9,
25 1994, done at New York May 2, 1995; or

1 “(4) an individual who lawfully resides in the
2 United States in accordance with a Compact of Free
3 Association referred to in section 402(b)(2)(G) of
4 the Personal Responsibility and Work Opportunity
5 Reconciliation Act of 1996.

6 “(b) APPLICATION TO INDIVIDUALS CURRENTLY EN-
7 TITLED TO OR ENROLLED FOR BENEFITS.—

8 “(1) IN GENERAL.—In the case of an individual
9 who is entitled to, or enrolled for, benefits under this
10 title as of the date of the enactment of this section,
11 subsection (a) shall apply beginning on the date that
12 is 1 year after such date of enactment.

13 “(2) REVIEW BY COMMISSIONER OF SOCIAL SE-
14 CURITY.—

15 “(A) IN GENERAL.—Not later than 6
16 months after the date of the enactment of this
17 section, the Commissioner of Social Security
18 shall complete a review of individuals entitled
19 to, or enrolled for, benefits under this title as
20 of such date of enactment for purposes of iden-
21 tifying individuals not described in any of para-
22 graphs (1) through (4) of subsection (a).

23 “(B) NOTICE.—The Commissioner of So-
24 cial Security shall notify each individual identi-
25 fied under the review conducted under subpara-

1 graph (A) that such individual’s entitlement to,
2 or enrollment for, benefits under this title will
3 be terminated as of the date that is 1 year after
4 the date of the enactment of this section. Such
5 notification shall be made as soon as practicable
6 after such identification and in a manner de-
7 signed to ensure such individual’s comprehen-
8 sion of such notification.”.

9 **SEC. 112105. EXCISE TAX ON REMITTANCE TRANSFERS.**

10 (a) IN GENERAL.—Chapter 36 is amended by insert-
11 ing after subchapter B the following new subchapter:

12 **“Subchapter C—Remittance Transfers**

“Sec. 4475. Imposition of tax.

13 **“SEC. 4475. IMPOSITION OF TAX.**

14 “(a) IN GENERAL.—There is hereby imposed on any
15 remittance transfer a tax equal to 5 percent of the amount
16 of such transfer.

17 “(b) PAYMENT OF TAX.—

18 “(1) IN GENERAL.—The tax imposed by this
19 section with respect to any remittance transfer shall
20 be paid by the sender with respect to such transfer.

21 “(2) COLLECTION.—The remittance transfer
22 provider with respect to any remittance transfer
23 shall collect the amount of the tax imposed under
24 subsection (a) with respect to such transfer from the

1 sender and remit such tax quarterly to the Secretary
2 at such time and in such manner as provided by the
3 Secretary.

4 “(3) SECONDARY LIABILITY.—Where any tax
5 imposed by subsection (a) is not paid at the time the
6 transfer is made, then to the extent that such tax
7 is not collected, such tax shall be paid by the remit-
8 tance transfer provider.

9 “(c) EXCEPTION FOR REMITTANCE TRANSFERS
10 SENT BY CITIZENS AND NATIONALS OF THE UNITED
11 STATES THROUGH CERTAIN PROVIDERS.—

12 “(1) IN GENERAL.—Subsection (a) shall not
13 apply to any remittance transfer with respect to
14 which the remittance transfer provider is a qualified
15 remittance transfer provider and the sender is a
16 verified United States sender.

17 “(2) QUALIFIED REMITTANCE TRANSFER PRO-
18 VIDER.—For purposes of this subsection, the term
19 ‘qualified remittance transfer provider’ means any
20 remittance transfer provider which enters into a
21 written agreement with the Secretary pursuant to
22 which such provider agrees to verify the status of
23 senders as citizens or nationals of the United States
24 in such manner, and in accordance with such proce-
25 dures, as the Secretary may specify.

1 “(3) VERIFIED UNITED STATES SENDER.—For
2 purposes of this subsection, the term ‘verified United
3 States sender’ means any sender who is verified by
4 a qualified remittance transfer provider as being a
5 citizen or national of the United States pursuant to
6 an agreement described in paragraph (2).

7 “(d) DEFINITIONS.—For purposes of this section, the
8 terms ‘remittance transfer’, ‘remittance transfer provider’,
9 ‘designated recipient’, and ‘sender’ shall each have the re-
10 spective meanings given such terms by section 920(g) of
11 the Electronic Fund Transfer Act (15 U.S.C. 1693o-1; re-
12 lating to “Remittance Transfers”).

13 “(e) APPLICATION OF ANTI-CONDUIT RULES.—For
14 purposes of section 7701(l) with respect to any multiple-
15 party arrangements involving the sender, a remittance
16 transfer shall be treated as a financing transaction.”.

17 (b) REFUNDABLE INCOME TAX CREDIT ALLOWED
18 TO CITIZENS AND NATIONALS OF THE UNITED STATES
19 FOR EXCISE TAX ON REMITTANCE TRANSFERS.—Subpart
20 C of part IV of subchapter A of chapter 1 is amended
21 by inserting after section 36B the following new section:

1 **“SEC. 36C. CREDIT FOR EXCISE TAX ON REMITTANCE**
2 **TRANSFERS OF CITIZENS AND NATIONALS OF**
3 **THE UNITED STATES.**

4 “(a) IN GENERAL.—In the case of any individual,
5 there shall be allowed as a credit against the tax imposed
6 by this subtitle for any taxable year an amount equal to
7 the aggregate amount of taxes paid by such individual
8 under section 4475 during such taxable year.

9 “(b) SOCIAL SECURITY NUMBER REQUIREMENT.—

10 “(1) IN GENERAL.—No credit shall be allowed
11 under this section unless the taxpayer includes on
12 the return of tax for the taxable year—

13 “(A) the individual’s social security num-
14 ber, and

15 “(B) if the individual is married, the social
16 security number of such individuals’s spouse.

17 “(2) SOCIAL SECURITY NUMBER.—For pur-
18 poses of this subsection, the term ‘social security
19 number’ has the meaning given such term in section
20 24(h)(7).

21 “(3) MARRIED INDIVIDUALS.—Rules similar to
22 the rules of section 32(d) shall apply to this section.

23 “(c) SUBSTANTIATION REQUIREMENTS.—No credit
24 shall be allowed under this section unless the taxpayer
25 demonstrates to the satisfaction of the Secretary that the

1 tax under section 4475 with respect to which such credit
2 is determined—

3 “(1) was paid by the taxpayer, and

4 “(2) is with respect to a remittance transfer
5 with respect to which the taxpayer provided to the
6 remittance transfer provider the certification and in-
7 formation referred to in section 6050AA(a)(2).

8 “(d) DEFINITIONS.—Any term used in this section
9 which is also used in section 4475 shall have the meaning
10 given such term in section 4475.

11 “(e) APPLICATION OF ANTI-CONDUIT RULES.—For
12 rules providing for the application of the anti-conduit rules
13 of section 7701(l) to remittance transfers, see section
14 4475(e).”.

15 (c) REPORTING BY REMITTANCE TRANSFER PRO-
16 VIDERS.—

17 (1) IN GENERAL.—Subpart B of part III of
18 subchapter A of chapter 61 is amended by adding at
19 the end the following new section:

20 **“SEC. 6050AA. RETURNS RELATING TO REMITTANCE**
21 **TRANSFERS.**

22 “(a) IN GENERAL.—Each remittance transfer pro-
23 vider shall make a return at such time as the Secretary
24 may provide setting forth—

1 “(1) in the case of a qualified remittance trans-
2 fer provider with respect to remittance transfers to
3 which section 4475(a) does not apply by reason of
4 section 4475(c), the aggregate number and value of
5 such transfers,

6 “(2) in the case of any remittance transfer not
7 described in paragraph (1) and with respect to
8 which the sender certifies to the remittance transfer
9 provider an intent to claim the credit under section
10 36C and provides the information described in para-
11 graph (1)—

12 “(A) the name, address, and social security
13 number of the sender,

14 “(B) the amount of tax paid by the sender
15 under section 4475(b)(1), and

16 “(C) the amount of tax remitted by the re-
17 mittance transfer provider under section
18 4475(b)(2), and

19 “(3) in the case of any remittance transfer not
20 included under paragraph (1) or (2)—

21 “(A) the aggregate amount of tax paid
22 under section 4475(b)(1) with respect to such
23 transfers, and

1 “(B) the aggregate amount of tax remitted
2 under section 4475(b)(2) with respect to such
3 transfers.

4 “(b) STATEMENT TO BE FURNISHED TO NAMED
5 PERSONS.—Every person required to make a return under
6 subsection (a) shall furnish, at such time as the Secretary
7 may provide, to each person whose name is required to
8 be set forth in such return a written statement showing—

9 “(1) the name and address of the information
10 contact of the required reporting person, and

11 “(2) the information described in subsection
12 (a)(2) which relates to such person.

13 “(c) DEFINITIONS.—Any term used in this section
14 which is also used in section 4475 shall have the meaning
15 given such term in such section.”.

16 (2) PENALTIES.—Section 6724(d), as amended
17 by the preceding provisions of this Act, is amend-
18 ed—

19 (A) in paragraph (1)(B), by striking “or”
20 at the end of clause (xxvii), by striking “and”
21 at the end of clause (xxviii) and inserting “or”,
22 and by adding at the end the following new
23 clause:

1 “(xxix) section 6050AA(a) (relating to
2 returns relating to remittance transfers),
3 and”, and

4 (B) in paragraph (2), by striking “or” at
5 the end of subparagraph (MM), by striking the
6 period at the end of subparagraph (NN) and in-
7 serting “, or”, and by inserting after subpara-
8 graph (NN) the following new subparagraph:

9 “(OO) section 6050AA(b) (relating to
10 statements relating to remittance transfers).”.

11 (d) CONFORMING AMENDMENTS.—

12 (1) Section 6211(b)(4)(A) is amended by insert-
13 ing “36C,” after “36B,”.

14 (2) Section 6213(g)(2), as amended by the pre-
15 ceding provisions of this Act, is amended by striking
16 “and” at the end of subparagraph (Z), by the strik-
17 ing the period at the end of subparagraph (AA) and
18 inserting “, and”, and by inserting after subpara-
19 graph (AA) the following new subparagraph:

20 “(BB) an omission of a correct social secu-
21 rity number under section 36C(b) to be in-
22 cluded on a return.”.

23 (3) Section 1324(b)(2) of title 31, United
24 States Code, is amended by inserting “36C,” after
25 “36B,”.

1 (4) The table of sections for subpart C of part
2 IV of subchapter A of chapter 1 is amended by in-
3 serting after the item relating to section 36B the fol-
4 lowing new item:

“Sec. 36C. Credit for excise tax on remittance transfers of citizens and nation-
als of the United States.”.

5 (5) The table of sections for subpart B of part
6 III of subchapter A of chapter 61 is amended by
7 adding at the end the following new item:

“Sec. 6050AA. Returns relating to remittance transfers.”.

8 (6) The table of subchapters for chapter 36 is
9 amended by inserting after the item relating to sub-
10 chapter B the following new item:

“SUBCHAPTER C—REMITTANCE TRANSFERS”.

11 (e) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, the amendments made by
14 this section shall apply to transfers made after De-
15 cember 31, 2025.

16 (2) TAX CREDIT.—The amendments made by
17 subsection (b), and paragraphs (1) through (4) of
18 subsection (d), shall apply to taxable years ending
19 after December 31, 2025.

1 **SEC. 112106. SOCIAL SECURITY NUMBER REQUIREMENT**
2 **FOR AMERICAN OPPORTUNITY AND LIFE-**
3 **TIME LEARNING CREDITS.**

4 (a) SOCIAL SECURITY NUMBER OF TAXPAYER RE-
5 QUIRED.—Section 25A(g)(1) is amended to read as fol-
6 lows:

7 “(1) IDENTIFICATION REQUIREMENT.—

8 “(A) SOCIAL SECURITY NUMBER REQUIRE-
9 MENT.—No credit shall be allowed under sub-
10 section (a) to a taxpayer unless the taxpayer in-
11 cludes on the return of tax for the taxable
12 year—

13 “(i) such individual’s social security
14 number,

15 “(ii) if the individual is married, the
16 social security number of such individual’s
17 spouse, and

18 “(iii) in the case of a credit with re-
19 spect to the qualified tuition and related
20 expenses of an individual other than the
21 taxpayer or the taxpayer’s spouse, the
22 name and social security number of such
23 individual.

24 “(B) INSTITUTION.—No American Oppor-
25 tunity Tax Credit shall be allowed under this
26 section unless the taxpayer includes the em-

1 employer identification number of any institution
2 to which the taxpayer paid qualified tuition and
3 related expenses taken into account under this
4 section on the return of tax for the taxable
5 year.

6 “(C) SOCIAL SECURITY NUMBER DE-
7 FINED.—For purposes of this paragraph, the
8 term ‘social security number’ shall have the
9 meaning given such term in section 24(h)(7).”.

10 (b) RULES RELATED TO MARRIED INDIVIDUALS.—

11 Section 25A(g)(6) is amended to read as follows:

12 “(6) RULES RELATED TO MARRIED INDIVID-
13 UALS.—Rules similar to the rules of section 32(d)
14 shall apply to this section.”.

15 (c) OMISSION TREATED AS MATHEMATICAL OR
16 CLERICAL ERROR.—Section 6213(g)(2)(J) is amended by
17 striking “TIN” and inserting “social security number or
18 employer identification number”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2025.

1 applicable enrollment information shall at least in-
2 clude affirmation of the following information
3 (to the extent relevant in determining eligibility
4 described in subparagraph (A)):

5 “(i) Income.

6 “(ii) Any immigration status.

7 “(iii) Any health coverage status or
8 eligibility for coverage.

9 “(iv) Place of residence.

10 “(v) Family size.

11 “(vi) Such other information as may
12 be determined by the Secretary (in con-
13 sultation with the Secretary of Health and
14 Human Services) as necessary to the
15 verification prescribed under subparagraph
16 (A).

17 “(C) VERIFICATION OF PAST MONTHS.—In
18 the case of a month that begins before
19 verification prescribed by subparagraph (A),
20 such month shall be treated as a coverage
21 month if, and only if, the Exchange verifies for
22 such month (using applicable enrollment infor-
23 mation that shall be provided or verified by the
24 applicant) such individual’s eligibility to have so

1 enrolled, for any such advance payment, and for
2 any such reduced cost-sharing.

3 “(D) EXCHANGE PARTICIPATION; COORDI-
4 NATION WITH OTHER PROCEDURES FOR DETER-
5 MINING ELIGIBILITY.—An individual shall not,
6 solely by reason of failing to meet the require-
7 ments of this paragraph with respect to a
8 month, be treated for such month as ineligible
9 to enroll in a qualified health plan through an
10 Exchange.

11 “(6) EXCHANGE COMPLIANCE WITH FILING RE-
12 QUIREMENTS.—The term ‘coverage month’ shall not
13 include, with respect to any individual covered by a
14 qualified health plan enrolled in through an Ex-
15 change, any month for which the Exchange does not
16 meet the requirements of section 155.305(f)(4) of
17 title 45, Code of Federal Regulations (as published
18 in the Federal Register on March 19, 2025 (90 FR
19 12942)), with respect to the individual.”.

20 (b) PRE-ENROLLMENT VERIFICATION PROCESS RE-
21 QUIRED.—Section 36B(c)(3)(A) is amended—

22 (1) by striking “HEALTH PLAN.—The term”
23 and inserting the following: “HEALTH PLAN.—

24 “(i) IN GENERAL.—The term”, and

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

3 “(ii) PRE-ENROLLMENT VERIFICATION
4 PROCESS REQUIRED.—Such term shall not
5 include any plan enrolled in through an
6 Exchange, unless such Exchange provides
7 a process for pre-enrollment verification
8 through which any applicant may, begin-
9 ning not later than August 1, verify with
10 the Exchange the applicant’s eligibility for
11 enrollment in such plan for plan years be-
12 ginning in the subsequent year, for any ad-
13 vance payment of the credit allowed under
14 this section, and for reduced cost-sharing
15 under section 1402 of the Patient Protec-
16 tion and Affordable Care Act.”.

17 (c) REGULATIONS.—The Secretary of the Treasury
18 and the Secretary of Health and Human Services may
19 each prescribe such rules and other guidance as may be
20 necessary or appropriate to carry out the amendments
21 made by this section.

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2027.

1 **SEC. 112202. DISALLOWING PREMIUM TAX CREDIT IN CASE**
2 **OF CERTAIN COVERAGE ENROLLED IN DUR-**
3 **ING SPECIAL ENROLLMENT PERIOD.**

4 (a) IN GENERAL.—Section 36B(c)(3)(A), as amend-
5 ed by the preceding provisions of this Act, is amended by
6 adding at the end the following new clause:

7 “(iii) EXCEPTION IN CASE OF CER-
8 TAIN SPECIAL ENROLLMENT PERIODS.—
9 Such term shall not include any plan en-
10 rolled in during a special enrollment period
11 provided for by an Exchange—

12 “(I) on the basis of the relation-
13 ship of the individual’s expected
14 household income to such a percent-
15 age of the poverty line (or such other
16 amount) as is prescribed by the Sec-
17 retary of Health and Human Services
18 for purposes of such period, and

19 “(II) not in connection with the
20 occurrence of an event or change in
21 circumstances specified by the Sec-
22 retary of Health and Human Services
23 for such purposes.”.

24 (b) REGULATIONS.—The Secretary of Treasury and
25 the Secretary of Health and Human Services shall pre-
26 scribe such rules (including interim final and temporary

1 regulations) and other guidance as may be necessary to
2 carry out the purposes of the amendments made by this
3 section.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply with respect to plans enrolled in
6 during calendar months beginning after the third calendar
7 month ending after the date of the enactment of this Act.

8 **SEC. 112203. ELIMINATING LIMITATION ON RECAPTURE OF**
9 **ADVANCE PAYMENT OF PREMIUM TAX CRED-**
10 **IT.**

11 (a) IN GENERAL.—Section 36B(f)(2) is amended by
12 striking subparagraph (B).

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 36B(f)(2) is amended by striking
15 “ADVANCE PAYMENTS.—” and all that follows
16 through “If the advance payments” and inserting
17 the following: “ADVANCE PAYMENTS.—If the ad-
18 vance payments”.

19 (2) Section 35(g)(12)(B)(ii) is amended by
20 striking “then section 36B(f)(2)(B) shall be applied
21 by substituting the amount determined under clause
22 (i) for the amount determined under section
23 36B(f)(2)(A)” and inserting “then the amount de-
24 termined under clause (i) shall be substituted for the
25 amount determined under section 36B(f)(2)”.

1 (c) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2025.

4 **SEC. 112204. IMPLEMENTING ARTIFICIAL INTELLIGENCE**
5 **TOOLS FOR PURPOSES OF REDUCING AND**
6 **RECOUPING IMPROPER PAYMENTS UNDER**
7 **MEDICARE.**

8 (a) IN GENERAL.—Part E of title XVIII of the Social
9 Security Act (42 U.S.C. 1395x et seq.), as amended by
10 the preceding provisions of this Act, is amended by adding
11 at the end the following new section:

12 **“SEC. 1899D. IMPLEMENTING ARTIFICIAL INTELLIGENCE**
13 **TOOLS FOR PURPOSES OF REDUCING AND**
14 **RECOUPING IMPROPER PAYMENTS.**

15 “(a) IN GENERAL.—Not later than January 1, 2027,
16 the Secretary shall implement such artificial intelligence
17 tools determined appropriate by the Secretary for pur-
18 poses of—

19 “(1) reducing improper payments made under
20 parts A and B; and

21 “(2) identifying any such improper payments so
22 made.

23 “(b) CONTRACTS.—The Secretary shall seek to con-
24 tract with a vendor of artificial intelligence tools and with

1 data scientists for purposes of implementing the artificial
2 intelligence tools required under subsection (a).

3 “(c) RECOUPMENT.—The Secretary shall, to the ex-
4 tent practicable, recoup payments identified using the arti-
5 ficial intelligence tools implemented under subsection (a).

6 “(d) REPORT.—Not later than January 1, 2029, and
7 not less frequently than annually thereafter, the Secretary
8 shall report to Congress on the implementation of artificial
9 intelligence tools under subsection (a) and the recoupment
10 of improper payments under subsection (c). Such report
11 shall include—

12 “(1) a description of any opportunities for fur-
13 ther reducing rates of improper payments described
14 in subsection (a)(1) or further increasing rates of
15 recoupment of such payments;

16 “(2) the total dollar amount of improper pay-
17 ments recouped in the most recent year for which
18 data is available; and

19 “(3) in the case that the Secretary fails to re-
20 duce the rate of improper payments by 50 percent
21 in such most recent year as compared to the year
22 prior to such most recent year, a description of the
23 reasons for such failure.”.

24 (b) IMPLEMENTATION FUNDING.—

1 (1) FEDERAL HOSPITAL INSURANCE TRUST
2 FUND.—The Secretary of Health and Human Serv-
3 ices shall provide for the transfer from the Federal
4 Hospital Insurance Trust Fund established under
5 section 1817 of the Social Security Act (42 U.S.C.
6 1395i) to the Centers for Medicare & Medicaid Serv-
7 ices Program Management Account of \$12,500,000
8 for fiscal year 2025 for purposes of carrying out the
9 amendment made by this section, to remain available
10 until expended.

11 (2) FEDERAL SUPPLEMENTARY MEDICAL IN-
12 SURANCE TRUST FUND.—The Secretary of Health
13 and Human Services shall provide for the transfer,
14 from the Federal Supplementary Medical Insurance
15 Trust Fund established under section 1841 of the
16 Social Security Act (42 U.S.C. 1395t) to the Cen-
17 ters for Medicare & Medicaid Services Program
18 Management Account of \$12,500,000 for fiscal year
19 2025 for purposes of carrying out the amendment
20 made by this section, to remain available until ex-
21 pended.

1 **SEC. 112205. ENFORCEMENT PROVISIONS WITH RESPECT**
2 **TO COVID-RELATED EMPLOYEE RETENTION**
3 **CREDITS.**

4 (a) INCREASE IN ASSESSABLE PENALTY ON COVID–
5 ERTC PROMOTERS FOR AIDING AND ABETTING UNDER–
6 STATEMENTS OF TAX LIABILITY.—

7 (1) IN GENERAL.—If any COVID–ERTC pro-
8 moter is subject to penalty under section 6701(a) of
9 the Internal Revenue Code of 1986 with respect to
10 any COVID–ERTC document, notwithstanding
11 paragraphs (1) and (2) of section 6701(b) of such
12 Code, the amount of the penalty imposed under such
13 section 6701(a) shall be the greater of—

14 (A) \$200,000 (\$10,000, in the case of a
15 natural person), or

16 (B) 75 percent of the gross income derived
17 (or to be derived) by such promoter with re-
18 spect to the aid, assistance, or advice referred
19 to in section 6701(a)(1) of such Code with re-
20 spect to such document.

21 (2) NO INFERENCE.—Paragraph (1) shall not
22 be construed to create any inference with respect to
23 the proper application of the knowledge requirement
24 of section 6701(a)(3) of the Internal Revenue Code
25 of 1986.

1 (b) FAILURE TO COMPLY WITH DUE DILIGENCE RE-
2 QUIREMENTS TREATED AS KNOWLEDGE FOR PURPOSES
3 OF ASSESSABLE PENALTY FOR AIDING AND ABETTING
4 UNDERSTATEMENT OF TAX LIABILITY.—In the case of
5 any COVID–ERTC promoter, the knowledge requirement
6 of section 6701(a)(3) of the Internal Revenue Code of
7 1986 shall be treated as satisfied with respect to any
8 COVID–ERTC document with respect to which such pro-
9 moter provided aid, assistance, or advice, if such promoter
10 fails to comply with the due diligence requirements re-
11 ferred to in subsection (c)(1).

12 (c) ASSESSABLE PENALTY FOR FAILURE TO COMPLY
13 WITH DUE DILIGENCE REQUIREMENTS.—

14 (1) IN GENERAL.—Any COVID–ERTC pro-
15 moter which provides aid, assistance, or advice with
16 respect to any COVID–ERTC document and which
17 fails to comply with due diligence requirements im-
18 posed by the Secretary with respect to determining
19 eligibility for, or the amount of, any COVID-related
20 employee retention tax credit, shall pay a penalty of
21 \$1,000 for each such failure.

22 (2) DUE DILIGENCE REQUIREMENTS.—Except
23 as otherwise provided by the Secretary, the due dili-
24 gence requirements referred to in paragraph (1)
25 shall be similar to the due diligence requirements

1 imposed under section 6695(g) of the Internal Rev-
2 enue Code of 1986.

3 (3) RESTRICTION TO DOCUMENTS USED IN
4 CONNECTION WITH RETURNS OR CLAIMS FOR RE-
5 FUND.—Paragraph (1) shall not apply with respect
6 to any COVID–ERTC document unless such docu-
7 ment constitutes, or relates to, a return or claim for
8 refund.

9 (4) TREATMENT AS ASSESSABLE PENALTY,
10 ETC.—For purposes of the Internal Revenue Code of
11 1986, the penalty imposed under paragraph (1) shall
12 be treated in the same manner as a penalty imposed
13 under section 6695(g) of such Code.

14 (5) SECRETARY.—For purposes of this sub-
15 section, the term “Secretary” means the Secretary
16 of the Treasury or the Secretary’s delegate.

17 (d) ASSESSABLE PENALTIES FOR FAILURE TO DIS-
18 CLOSE INFORMATION, MAINTAIN CLIENT LISTS, ETC.—
19 For purposes of sections 6111, 6112, 6707 and 6708 of
20 the Internal Revenue Code of 1986—

21 (1) any COVID-related employee retention tax
22 credit (whether or not the taxpayer claims such
23 COVID-related employee retention tax credit) shall
24 be treated as a listed transaction (and as a report-
25 able transaction) with respect to any COVID–ERTC

1 promoter if such promoter provides any aid, assist-
2 ance, or advice with respect to any COVID-ERTC
3 document relating to such COVID-related employee
4 retention tax credit, and

5 (2) such COVID-ERTC promoter shall be
6 treated as a material advisor with respect to such
7 transaction.

8 (e) COVID-ERTC PROMOTER.—For purposes of
9 this section—

10 (1) IN GENERAL.—The term “COVID-ERTC
11 promoter” means, with respect to any COVID-
12 ERTC document, any person which provides aid, as-
13 sistance, or advice with respect to such document
14 if—

15 (A) such person charges or receives a fee
16 for such aid, assistance, or advice which is
17 based on the amount of the refund or credit
18 with respect to such document and, with respect
19 to such person’s taxable year in which such per-
20 son provided such assistance or the preceding
21 taxable year, the aggregate gross receipts of
22 such person for aid, assistance, and advice with
23 respect to all COVID-ERTC documents exceeds
24 20 percent of the gross receipts of such person
25 for such taxable year, or

1 (B) with respect to such person's taxable
2 year in which such person provided such assist-
3 ance or the preceding taxable year—

4 (i) the aggregate gross receipts of
5 such person for aid, assistance, and advice
6 with respect to all COVID-ERTC docu-
7 ments exceeds 50 percent of the gross re-
8 ceipts of such person for such taxable year,
9 or

10 (ii) both—

11 (I) such aggregate gross receipts
12 exceeds 20 percent of the gross re-
13 ceipts of such person for such taxable
14 year, and

15 (II) the aggregate gross receipts
16 of such person for aid, assistance, and
17 advice with respect to all COVID-
18 ERTC documents (determined after
19 application of paragraph (3)) exceeds
20 \$500,000.

21 (2) EXCEPTION FOR CERTIFIED PROFESSIONAL
22 EMPLOYER ORGANIZATIONS.—The term “COVID-
23 ERTC promoter” shall not include a certified profes-
24 sional employer organization (as defined in section
25 7705 of the Internal Revenue Code of 1986).

1 (3) AGGREGATION RULE.—For purposes of
2 paragraph (1)(B)(ii)(II), all persons treated as a
3 single employer under subsection (a) or (b) of sec-
4 tion 52 of the Internal Revenue Code of 1986, or
5 subsection (m) or (o) of section 414 of such Code,
6 shall be treated as 1 person.

7 (4) SHORT TAXABLE YEARS.—In the case of
8 any taxable year of less than 12 months, paragraph
9 (1) shall be applied with respect to the calendar year
10 in which such taxable year begins (in addition to ap-
11 plying to such taxable year).

12 (f) COVID-ERTC DOCUMENT.—For purposes of
13 this section, the term “COVID-ERTC document” means
14 any return, affidavit, claim, or other document related to
15 any COVID-related employee retention tax credit, includ-
16 ing any document related to eligibility for, or the calcula-
17 tion or determination of any amount directly related to
18 any COVID-related employee retention tax credit.

19 (g) COVID-RELATED EMPLOYEE RETENTION TAX
20 CREDIT.—For purposes of this section, the term
21 “COVID-related employee retention tax credit” means—

22 (1) any credit, or advance payment, under sec-
23 tion 3134 of the Internal Revenue Code of 1986,
24 and

1 (2) any credit, or advance payment, under sec-
2 tion 2301 of the CARES Act.

3 (h) LIMITATION ON CREDIT AND REFUND OF
4 COVID-RELATED EMPLOYEE RETENTION TAX CRED-
5 ITS.—Notwithstanding section 6511 of the Internal Rev-
6 enue Code of 1986 or any other provision of law, no credit
7 or refund of any COVID-related employee retention tax
8 credit shall be allowed or made after the date of the enact-
9 ment of this Act, unless a claim for such credit or refund
10 is filed by the taxpayer on or before January 31, 2024.

11 (i) AMENDMENTS TO EXTEND LIMITATION ON AS-
12 SESSMENT.—

13 (1) IN GENERAL.—Section 3134(l) is amended
14 to read as follows:

15 “(l) EXTENSION OF LIMITATION ON ASSESSMENT.—

16 “(1) IN GENERAL.—Notwithstanding section
17 6501, the limitation on the time period for the as-
18 sessment of any amount attributable to a credit
19 claimed under this section shall not expire before the
20 date that is 6 years after the latest of—

21 “(A) the date on which the original return
22 which includes the calendar quarter with re-
23 spect to which such credit is determined is filed,

24 “(B) the date on which such return is
25 treated as filed under section 6501(b)(2), or

1 “(C) the date on which the claim for credit
2 or refund with respect to such credit is made.

3 “(2) DEDUCTION FOR WAGES TAKEN INTO AC-
4 COUNT IN DETERMINING IMPROPERLY CLAIMED
5 CREDIT.—

6 “(A) IN GENERAL.—Notwithstanding sec-
7 tion 6511, in the case of an assessment attrib-
8 utable to a credit claimed under this section,
9 the limitation on the time period for credit or
10 refund of any amount attributable to a deduc-
11 tion for improperly claimed ERTC wages shall
12 not expire before the time period for such as-
13 sessment expires under paragraph (1).

14 “(B) IMPROPERLY CLAIMED ERTC
15 WAGES.—For purposes of this paragraph, the
16 term ‘improperly claimed ERTC wages’ means,
17 with respect to an assessment attributable to a
18 credit claimed under this section, the wages
19 with respect to which a deduction would not
20 have been allowed if the portion of the credit to
21 which such assessment relates had been prop-
22 erly claimed.”.

23 “(2) APPLICATION TO CARES ACT CREDIT.—Sec-
24 tion 2301 of the CARES Act is amended by adding
25 at the end the following new subsection:

1 “(o) EXTENSION OF LIMITATION ON ASSESSMENT.—

2 “(1) IN GENERAL.—Notwithstanding section
3 6501 of the Internal Revenue Code of 1986, the lim-
4 itation on the time period for the assessment of any
5 amount attributable to a credit claimed under this
6 section shall not expire before the date that is 6
7 years after the latest of—

8 “(A) the date on which the original return
9 which includes the calendar quarter with re-
10 spect to which such credit is determined is filed,

11 “(B) the date on which such return is
12 treated as filed under section 6501(b)(2) of
13 such Code, or

14 “(C) the date on which the claim for credit
15 or refund with respect to such credit is made.

16 “(2) DEDUCTION FOR WAGES TAKEN INTO AC-
17 COUNT IN DETERMINING IMPROPERLY CLAIMED
18 CREDIT.—

19 “(A) IN GENERAL.—Notwithstanding sec-
20 tion 6511 of such Code, in the case of an as-
21 sessment attributable to a credit claimed under
22 this section, the limitation on the time period
23 for credit or refund of any amount attributable
24 to a deduction for improperly claimed ERTC
25 wages shall not expire before the time period

1 for such assessment expires under paragraph
2 (1).

3 “(B) IMPROPERLY CLAIMED ERTC
4 WAGES.—For purposes of this paragraph, the
5 term ‘improperly claimed ERTC wages’ means,
6 with respect to an assessment attributable to a
7 credit claimed under this section, the wages
8 with respect to which a deduction would not
9 have been allowed if the portion of the credit to
10 which such assessment relates had been prop-
11 erly claimed.”.

12 (j) EFFECTIVE DATES.—

13 (1) IN GENERAL.—Except as otherwise pro-
14 vided in this subsection, the provisions of this sec-
15 tion shall apply to aid, assistance, and advice pro-
16 vided after March 12, 2020.

17 (2) DUE DILIGENCE REQUIREMENTS.—Sub-
18 sections (b) and (c) shall apply to aid, assistance,
19 and advice provided after the date of the enactment
20 of this Act.

21 (3) LIMITATION ON CREDIT AND REFUND OF
22 COVID-RELATED EMPLOYEE RETENTION TAX CRED-
23 ITS.—Subsection (h) shall apply to credits and re-
24 funds allowed or made after the date of the enact-
25 ment of this Act.

1 (4) AMENDMENTS TO EXTEND LIMITATION ON
2 ASSESSMENT.—The amendments made by subsection
3 (i) shall apply to assessments made after the date of
4 the enactment of this Act.

5 (k) TRANSITION RULE WITH RESPECT TO REQUIRE-
6 MENTS TO DISCLOSE INFORMATION, MAINTAIN CLIENT
7 LISTS, ETC.—Any return under section 6111 of the Inter-
8 nal Revenue Code of 1986, or list under section 6112 of
9 such Code, required by reason of subsection (d) of this
10 section to be filed or maintained, respectively, with respect
11 to any aid, assistance, or advice provided by a COVID-
12 ERTC promoter with respect to a COVID-ERTC docu-
13 ment before the date of the enactment of this Act, shall
14 not be required to be so filed or maintained (with respect
15 to such aid, assistance or advice) before the date which
16 is 90 days after the date of the enactment of this Act.

17 (l) PROVISIONS NOT TO BE CONSTRUED TO CREATE
18 NEGATIVE INFERENCES.—

19 (1) NO INFERENCE WITH RESPECT TO APPLICA-
20 TION OF KNOWLEDGE REQUIREMENT TO PRE-EN-
21 ACTMENT CONDUCT OF COVID-ERTC PROMOTERS,
22 ETC.—Subsection (b) shall not be construed to cre-
23 ate any inference with respect to the proper applica-
24 tion of section 6701(a)(3) of the Internal Revenue
25 Code of 1986 with respect to any aid, assistance, or

1 advice provided by any COVID-ERTC promoter on
2 or before the date of the enactment of this Act (or
3 with respect to any other aid, assistance, or advice
4 to which such subsection does not apply).

5 (2) REQUIREMENTS TO DISCLOSE INFORMA-
6 TION, MAINTAIN CLIENT LISTS, ETC.—Subsections
7 (d) and (k) shall not be construed to create any in-
8 ference with respect to whether any COVID-related
9 employee retention tax credit is (without regard to
10 subsection (d)) a listed transaction (or reportable
11 transaction) with respect to any COVID-ERTC pro-
12 moter; and, for purposes of subsection (k), a return
13 or list shall not be treated as required (with respect
14 to such aid, assistance, or advice) by reason of sub-
15 section (d) if such return or list would be so re-
16 quired without regard to subsection (d).

17 (m) REGULATIONS.—The Secretary (as defined in
18 subsection (c)(5)) shall issue such regulations or other
19 guidance as may be necessary or appropriate to carry out
20 the purposes of this section (and the amendments made
21 by this section).

22 **SEC. 112206. EARNED INCOME TAX CREDIT REFORMS.**

23 (a) EARNED INCOME TAX CREDIT CERTIFICATION
24 PROGRAM.—

25 (1) ESTABLISHMENT OF PROGRAM.—

1 (A) IN GENERAL.—Chapter 77 is amended
2 by adding at the end the following new section:

3 **“SEC. 7531. EARNED INCOME TAX CREDIT CERTIFICATION**
4 **PROGRAM.**

5 “(a) IN GENERAL.—To avoid duplicative and other
6 erroneous claims under section 32 with respect to a child
7 of the taxpayer, for taxable years beginning after Decem-
8 ber 31, 2027, the Secretary shall establish a program
9 under which, on the taxpayer’s application with respect
10 to the child, the Secretary shall issue an EITC certificate
11 for purposes of section 32 establishing such child’s status
12 as a qualifying child only of the taxpayer for a taxable
13 year.

14 “(b) APPLICATION REQUIREMENTS.—

15 “(1) IN GENERAL.—The Secretary shall not
16 issue to a taxpayer an EITC certificate with respect
17 to a child for a taxable year unless the taxpayer ap-
18 plies under the program with respect to the child
19 and provides such information and supporting docu-
20 mentation as the Secretary shall by regulation pre-
21 scribe as necessary to establish such child as a quali-
22 fying child only of the taxpayer for the taxable year.

23 “(2) TIME AND MANNER OF APPLICATION.—

24 Such application shall be made, and such informa-

1 tion and supporting documentation shall be pro-
2 vided—

3 “(A) in such manner as may be provided
4 by the Secretary for purposes of this section
5 (including establishing an on-line portal), and

6 “(B) not later than the due date for the
7 return of tax for the taxable year or (if later)
8 when the return is filed.

9 “(3) **COMPETING CLAIMS.**—In the case of more
10 than 1 taxpayer making an application with respect
11 to a child under the program for a taxable year be-
12 ginning during a calendar year, the Secretary shall
13 not issue an EITC certificate to any such taxpayer
14 with respect to such child for such a taxable year
15 unless the Secretary can establish such child, based
16 on information and supporting documentation pro-
17 vided under paragraph (1), as the qualifying child
18 only of one such taxpayer for such a taxable year.

19 “(c) **TREATMENT OF CREDIT WITHOUT CERTIFI-**
20 **CATION UNDER PROGRAM.**—For taxable years beginning
21 after December 31, 2027—

22 “(1) **IN GENERAL.**—In the case of a taxpayer
23 who takes into account as a qualifying child under
24 section 32 a child for whom an EITC certificate has

1 not been issued for the taxable year to the tax-
2 payer—

3 “(A) the Secretary shall not credit the por-
4 tion of any overpayment for such taxable year
5 that is attributable to the taxpayer taking into
6 account such child as a qualifying child, unless
7 the taxpayer obtains, not later than the due
8 date for the return for the taxable year, an
9 EITC certificate with respect to such child for
10 such taxable year, and

11 “(B) if the taxpayer fails to so obtain an
12 EITC certificate, such failure shall be treated—

13 “(i) as an omission of information re-
14 quired by section 32 with respect to such
15 child, and

16 “(ii) as arising out of a mathematical
17 or clerical error and assessed according to
18 section 6213(b)(1).

19 “(2) TERMINATION OF CERTIFICATION.—In the
20 case of a taxpayer who for a taxable year takes into
21 account as a qualifying child under section 32 a
22 child for whom an EITC certificate is terminated for
23 such taxable year, such termination shall be treated
24 in the same manner as a failure to obtain an EITC
25 certificate under paragraph (1)(B).

1 “(d) TRANSITION RULES FOR TAXABLE YEARS BE-
2 GINNING BEFORE 2028.—

3 “(1) IN GENERAL.—If for any taxable year be-
4 ginning after December 31, 2023, and before Janu-
5 ary 1, 2027, more than 1 taxpayer makes a claim
6 for credit under section 32 taking into account the
7 same child as a qualifying child, then the Secretary
8 shall send notice to each such taxpayer (by certified
9 or registered mail to the last known address of the
10 taxpayer) detailing the resultant treatment of such
11 taxpayers under paragraph (2) with respect to such
12 child for any subsequent taxable years beginning be-
13 fore 2028.

14 “(2) SUBSEQUENT TAXABLE YEARS BEGINNING
15 BEFORE 2028.—In the case of a child with respect
16 to whom paragraph (1) applied by reason of claims
17 for credit for a taxable year, for any subsequent tax-
18 able years beginning before January 1, 2028—

19 “(A) subject to subparagraph (B), the Sec-
20 retary shall not credit the portion of any over-
21 payment for the taxable year that is attrib-
22 utable to a taxpayer taking into account such
23 child as a qualifying child under section 32
24 until the 15th day of October following the end
25 of the taxable year, and

1 “(B) if more than one taxpayer makes a
2 claim for such credit for the taxable year taking
3 into account such child as a qualifying child, so
4 taking such child into account shall be treat-
5 ed—

6 “(i) as an omission of information re-
7 quired by section 32 with respect to such
8 child, and

9 “(ii) as arising out of a mathematical
10 or clerical error and assessed according to
11 section 6213(b)(1).

12 “(e) QUALIFYING CHILD.—For purposes of this sec-
13 tion, the term ‘qualifying child’ has the meaning given
14 such term under section 32(c)(3).

15 “(f) REBUTTAL OF TREATMENT.—Treatment under
16 subsection (c) or (d)(2)(B) as having omitted information
17 required by section 32 may be rebutted by providing such
18 information and supporting documentation as satisfac-
19 torily demonstrates the child is a qualifying child of the
20 taxpayer for the taxable year.

21 “(g) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
22 ERLY USE PROGRAM.—

23 “(1) IN GENERAL.—A taxpayer shall not be
24 permitted to apply for an EITC certificate under the

1 program for any taxable year in the disallowance pe-
2 riod.

3 “(2) DISALLOWANCE PERIOD.—For purposes of
4 paragraph (1), the disallowance period is—

5 “(A) the period of 10 taxable years after
6 the most recent taxable year for which there
7 was a penalty imposed under 6720D on the tax-
8 payer (but only if such penalty has been im-
9 posed on such taxpayer more than once, at least
10 one instance of which was due to fraud under
11 section 6720D(b)),

12 “(B) the period of 2 taxable years after
13 the most recent taxable year for which there
14 was a penalty imposed under 6720D on the tax-
15 payer (but only if such penalty has been im-
16 posed on such taxpayer more than once due to
17 reckless or intentional disregard of rules and
18 regulations (but not imposed due to fraud)),
19 and

20 “(C) any disallowance period with respect
21 to the taxpayer under section 32(k)(1).

22 “(h) REGULATIONS.—The Secretary shall prescribe
23 such rules as may be necessary or appropriate to carry
24 out the program and purposes of this section, including—

1 “(1) a process for establishing alternating tax-
2 able year treatment of a child as a qualifying child
3 under a custodial arrangement,

4 “(2) notwithstanding subsection (d)(2), a process for—
5 ess for—

6 “(A) establishing the status of a child as
7 a qualifying child of the taxpayer under section
8 32 for taxable years to which such subsection
9 applies, and

10 “(B) allowing credit or refunds attrib-
11 utable to such status,

12 “(3) a simplified process for re-certifying a
13 child as a qualifying child only of the taxpayer for
14 a taxable year, and

15 “(4) a process for terminating EITC certifi-
16 cates in the case of competing claims with respect to
17 a child or in cases in which issuance of the certifi-
18 cate is determined by the Secretary to be erro-
19 neous.”.

20 (B) CONFORMING AMENDMENT.—Section
21 32 amended by adding at the end the following
22 new subsection:

23 “(o) EITC CERTIFICATE WITH RESPECT TO QUALI-
24 FYING CHILDREN.—For rules relating to EITC certifi-
25 cates with respect to qualifying children and duplicate

1 claims for the credit allowed under this section, see section
2 7531.”.

3 (C) CLERICAL AMENDMENT.—The table of
4 sections for chapter 77 is amended by adding at
5 the end the following new item:

“Sec. 7531. Earned income tax credit certification program.”.

6 (2) PENALTIES FOR IMPROPER USE OF EITC
7 CERTIFICATE PROGRAM.—

8 (A) IN GENERAL.—Part I of subchapter B
9 of chapter 68 is amended by adding at the end
10 the following new section:

11 **“SEC. 6720D. PENALTIES WITH RESPECT TO EITC CERTIFI-**
12 **CATE PROGRAM.**

13 “(a) RECKLESS OR INTENTIONAL DISREGARD.—If—

14 “(1) any person makes a material misstatement
15 or inaccurate representation in an application under
16 section 7531 for an EITC certificate, and

17 “(2) such misstatement or representation was
18 due to reckless or intentional disregard of rules and
19 regulations (but not due to fraud),

20 such person shall pay a penalty of \$100 for each EITC
21 certificate with respect to which such misstatement or rep-
22 resentation was made.

23 “(b) FRAUD.—If a misstatement or representation
24 described in subsection (a)(1) is due to fraud on the part
25 of the person making such misstatement or representa-

1 tion, in addition to any criminal penalty, such person shall
2 pay a penalty of \$500 for each EITC certificate with re-
3 spect to which such a misstatement or representation was
4 made.”.

5 (B) CLERICAL AMENDMENT.—The table of
6 sections for part I of subchapter B of chapter
7 68 is amended by adding at the end the fol-
8 lowing new item:

“Sec. 6720D. Penalties with respect to EITC certificate program.”.

9 (3) EFFECTIVE DATE.—The amendments made
10 by this subsection shall apply to taxable years begin-
11 ning after December 31, 2024.

12 (b) TASK FORCE TO DESIGN A PRIVATE DATA
13 BOUNCING SYSTEM FOR IMPROVEMENTS TO THE EARNED
14 INCOME TAX CREDIT.—Out of any money in the Treasury
15 not otherwise appropriated, there is hereby appropriated
16 \$10,000,000 for the fiscal year ending on September 30,
17 2026, for necessary expenses of the Department of the
18 Treasury, to establish, within 90 days following the date
19 of the enactment of this Act, a task force to provide to
20 the Secretary of the Treasury a report on the following
21 with respect to the administration of the earned income
22 tax credit:

23 (1) Recommendations for improvement of the
24 integrity of such administration.

1 (2) The potential use of third-party payroll and
2 consumption datasets to verify income.

3 (3) The integration of automated databases to
4 allow horizontal verification to reduce improper pay-
5 ments, fraud, and abuse.

6 (c) INCREASED EARNED INCOME TAX CREDIT FOR
7 PURPLE HEART RECIPIENTS WHOSE SOCIAL SECURITY
8 DISABILITY BENEFITS ARE TERMINATED BY REASON OF
9 WORK ACTIVITY.—

10 (1) IN GENERAL.—Section 32, as amended by
11 the preceding provisions of this Act, is amended by
12 adding at the end the following new subsection:

13 “(p) INCREASE IN CREDIT FOR PURPLE HEART RE-
14 CIPIENTS WHOSE SOCIAL SECURITY DISABILITY BENE-
15 FITS ARE TERMINATED BY REASON OF WORK ACTIV-
16 ITY.—

17 “(1) IN GENERAL.—In the case of a specified
18 Purple Heart recipient, the credit otherwise deter-
19 mined under subsection (a) for the taxable year shall
20 be increased (whether or not such specified Purple
21 Heart recipient is an eligible individual) by the sum
22 of the SSDI benefit substitution amounts with re-
23 spect to qualified benefit termination months during
24 such taxable year.

1 “(2) SPECIFIED PURPLE HEART RECIPIENT.—

2 For purposes of this subsection, the term ‘specified
3 Purple Heart recipient’ means any individual—

4 “(A) who received the Purple Heart,

5 “(B) who received disability insurance ben-
6 efit payments under section 223(a) of the So-
7 cial Security Act, and

8 “(C) with respect to whom such disability
9 insurance benefit payments ceased to be pay-
10 able by reason of section 223(e)(1) of such Act.

11 “(3) QUALIFIED BENEFIT TERMINATION
12 MONTH.—For purposes of this subsection—

13 “(A) IN GENERAL.—The term ‘qualified
14 benefit termination month’ means, with respect
15 to any specified Purple Heart recipient, each
16 month during the 12-month period beginning
17 with the first month with respect to which dis-
18 ability insurance benefit payments described in
19 paragraph (2)(B) ceased to be payable as de-
20 scribed in paragraph (2)(C).

21 “(B) EXCEPTION FOR MONTHS FOR WHICH
22 BENEFITS ARE REINSTATED, ETC.—Such term
23 shall not include any month if the specified
24 Purple Heart recipient receives any benefit pay-

1 ment under section 223(a) of the Social Secu-
2 rity Act with respect to such month.

3 “(4) SSDI BENEFIT SUBSTITUTION AMOUNT.—
4 For purposes of this subsection, the term ‘SSDI
5 benefit substitution amount’ means, with respect to
6 specified Purple Heart recipient for any qualified
7 benefit termination month, an amount equal to the
8 disability insurance benefit payment received by such
9 recipient under section 223(a) of the Social Security
10 Act for the month immediately preceding the 12-
11 month period described in paragraph (3)(A).

12 “(5) CERTAIN EITC LIMITATIONS NOT APPLICA-
13 BLE.—Subsections (a)(2), (d), (e), (f), and (i) shall
14 not apply with respect to the increase under para-
15 graph (1).”.

16 (2) EFFECTIVE DATE.—The amendment made
17 by this subsection shall apply to taxable years end-
18 ing after the date of the enactment of this Act.

19 **SEC. 112207. TASK FORCE ON THE TERMINATION OF DI-**
20 **RECT FILE.**

21 (a) TERMINATION OF DIRECT FILE.—As soon as
22 practicable, and not later than 30 days after the date of
23 the enactment of this Act, the Secretary of the Treasury
24 shall ensure that the Internal Revenue Service Direct File
25 program has been terminated.

1 (b) APPROPRIATION FOR TASK FORCE TO DESIGN A
2 BETTER PUBLIC-PRIVATE PARTNERSHIP BETWEEN THE
3 IRS AND PRIVATE SECTOR TAX PREPARATION SERVICES
4 TO PROVIDE FOR FREE TAX FILING TO REPLACE THE
5 EXISTING “FREE FILE” PROGRAM AND ANY “DIRECT
6 EFILE” TAX RETURN SYSTEM.—Out of any money in the
7 Treasury not otherwise appropriated, there is hereby ap-
8 propriated for the fiscal year ending September 30, 2026,
9 for necessary expenses of the Department of the Treasury
10 to deliver to Congress, within 90 days following the date
11 of the enactment of this Act, a report on (1) the cost of
12 a new public-private partnership to provide for free tax
13 filing for up to 70 percent of all taxpayers calculated by
14 adjusted gross income to replace free file and any IRS-
15 run direct file programs; (2) taxpayer opinions and pref-
16 erences regarding a taxpayer-funded, government-run
17 service or a free service provided by the private sector;
18 and (3) assessment of the feasibility of a new approach,
19 how to make the options consistent and simple for tax-
20 payers across all participating providers, how to provide
21 features to address taxpayer needs, and how much money
22 should be appropriated to advertise the new option,
23 \$15,000,000, to remain available until September 30,
24 2026.

1 **SEC. 112208. POSTPONEMENT OF TAX DEADLINES FOR HOS-**
2 **TAGES AND INDIVIDUALS WRONGFULLY DE-**
3 **TAINED ABROAD.**

4 (a) PROSPECTIVE RELIEF.—

5 (1) IN GENERAL.—Chapter 77 is amended by
6 inserting after section 7510 the following new sec-
7 tion:

8 **“SEC. 7511. TIME FOR PERFORMING CERTAIN ACTS POST-**
9 **PONED FOR HOSTAGES AND INDIVIDUALS**
10 **WRONGFULLY DETAINED ABROAD.**

11 “(a) TIME TO BE DISREGARDED.—

12 “(1) IN GENERAL.—The period during which
13 an applicable individual was unlawfully or wrongfully
14 detained abroad, or held hostage abroad, shall be
15 disregarded in determining, under the internal rev-
16 enue laws, in respect of any tax liability of such indi-
17 vidual—

18 “(A) whether any of the acts described in
19 section 7508(a)(1) were performed within the
20 time prescribed thereof (determined without re-
21 gard to extension under any other provision of
22 this subtitle for periods after the initial date (as
23 determined by the Secretary) on which such in-
24 dividual was unlawfully or wrongfully detained
25 abroad or held hostage abroad),

1 “(B) the amount of any interest, penalty,
2 additional amount, or addition to the tax for
3 periods after such date, and

4 “(C) the amount of any credit or refund.

5 “(2) APPLICATION TO SPOUSE.—The provisions
6 of paragraph (1) shall apply to the spouse of any in-
7 dividual entitled to the benefits of such paragraph.

8 “(b) APPLICABLE INDIVIDUAL.—

9 “(1) IN GENERAL.—For purposes of this sec-
10 tion, the term ‘applicable individual’ means any indi-
11 vidual who is—

12 “(A) a United States national unlawfully
13 or wrongfully detained abroad, as determined
14 under section 302 of the Robert Levinson Hos-
15 tage Recovery and Hostage-Taking Account-
16 ability Act (22 U.S.C. 1741), or

17 “(B) a United States national taken hos-
18 tage abroad, as determined pursuant to the
19 findings of the Hostage Recovery Fusion Cell
20 (as described in section 304 of the Robert
21 Levinson Hostage Recovery and Hostage-Tak-
22 ing Accountability Act (22 U.S.C. 1741b)).

23 “(2) INFORMATION PROVIDED TO TREASURY.—
24 For purposes of identifying individuals described in

1 paragraph (1), not later than January 1, 2026, and
2 annually thereafter—

3 “(A) the Secretary of State shall provide
4 the Secretary with a list of the individuals de-
5 scribed in paragraph (1)(A), as well as any
6 other information necessary to identify such in-
7 dividuals, and

8 “(B) the Attorney General, acting through
9 the Hostage Recovery Fusion Cell, shall provide
10 the Secretary with a list of the individuals de-
11 scribed in paragraph (1)(B), as well as any
12 other information necessary to identify such in-
13 dividuals.

14 “(c) SPECIAL RULE FOR OVERPAYMENTS.—

15 “(1) IN GENERAL.—Subsection (a) shall not
16 apply for purposes of determining the amount of in-
17 terest on any overpayment of tax.

18 “(2) SPECIAL RULES.—If an individual is enti-
19 tled to the benefits of subsection (a) with respect to
20 any return and such return is timely filed (deter-
21 mined after the application of such subsection), sub-
22 sections (b)(3) and (e) of section 6611 shall not
23 apply.

24 “(d) MODIFICATION OF TREASURY DATABASES AND
25 INFORMATION SYSTEMS.—The Secretary shall ensure that

1 databases and information systems of the Department of
2 the Treasury are updated as necessary to ensure that stat-
3 ute expiration dates, interest and penalty accrual, and col-
4 lection activities are suspended consistent with the appli-
5 cation of subsection (a).

6 “(e) REFUND AND ABATEMENT OF PENALTIES AND
7 FINES IMPOSED PRIOR TO IDENTIFICATION AS APPLICA-
8 BLE INDIVIDUAL.—In the case of any applicable indi-
9 vidual—

10 “(1) for whom any interest, penalty, additional
11 amount, or addition to the tax in respect to any tax
12 liability for any taxable year ending during the pe-
13 riod described in subsection (a)(1) was assessed or
14 collected, and

15 “(2) who was, subsequent to such assessment
16 or collection, determined to be an individual de-
17 scribed in subparagraph (A) or (B) of subsection
18 (b)(1),

19 the Secretary shall abate any such assessment and refund
20 any amount collected to such applicable individual in the
21 same manner as any refund of an overpayment of tax
22 under section 6402.”.

23 (2) CLERICAL AMENDMENT.—The table of sec-
24 tions for chapter 77 is amended by inserting after

1 the item relating to section 7510 the following new
2 item:

“Sec. 7511. Time for performing certain acts postponed for hostages and individuals wrongfully detained abroad.”.

3 (3) EFFECTIVE DATE.—The amendments made
4 by this subsection shall apply to taxable years end-
5 ing after the date of enactment of this Act.

6 (b) REFUND AND ABATEMENT OF PENALTIES AND
7 FINES PAID BY ELIGIBLE INDIVIDUALS.—

8 (1) IN GENERAL.—Section 7511, as added by
9 subsection (a), is amended by adding at the end the
10 following new subsection:

11 “(f) REFUND AND ABATEMENT OF PENALTIES AND
12 FINES PAID BY ELIGIBLE INDIVIDUALS WITH RESPECT
13 TO PERIODS PRIOR TO DATE OF ENACTMENT OF THIS
14 SECTION.—

15 “(1) IN GENERAL.—

16 “(A) ESTABLISHMENT.—Not later than
17 January 1, 2026, the Secretary (in consultation
18 with the Secretary of State and the Attorney
19 General) shall establish a program to allow any
20 eligible individual (or the spouse or any depend-
21 ent (as defined in section 152) of such indi-
22 vidual) to apply for a refund or an abatement
23 of any amount described in paragraph (2) (in-

1 including interest) to the extent such amount was
2 attributable to the applicable period.

3 “(B) IDENTIFICATION OF INDIVIDUALS.—
4 Not later than January 1, 2026, the Secretary
5 of State and the Attorney General, acting
6 through the Hostage Recovery Fusion Cell (as
7 described in section 304 of the Robert Levinson
8 Hostage Recovery and Hostage-Taking Ac-
9 countability Act (22 U.S.C. 1741b)), shall—

10 “(i) compile a list, based on such in-
11 formation as is available, of individuals
12 who were applicable individuals during the
13 applicable period, and

14 “(ii) provide the list described in
15 clause (i) to the Secretary.

16 “(C) NOTICE.—For purposes of carrying
17 out the program described in subparagraph (A),
18 the Secretary (in consultation with the Sec-
19 retary of State and the Attorney General) shall,
20 with respect to any individual identified under
21 subparagraph (B), provide notice to such indi-
22 vidual—

23 “(i) in the case of an individual who
24 has been released on or before the date of
25 enactment of this subsection, not later

1 than 90 days after the date of enactment
2 of this subsection, or

3 “(ii) in the case of an individual who
4 is released after the date of enactment of
5 this subsection, not later than 90 days
6 after the date on which such individual is
7 released,

8 that such individual may be eligible for a refund
9 or an abatement of any amount described in
10 paragraph (2) pursuant to the program de-
11 scribed in subparagraph (A).

12 “(D) AUTHORIZATION.—

13 “(i) IN GENERAL.—Subject to clause
14 (ii), in the case of any refund described in
15 subparagraph (A), the Secretary shall
16 issue such refund to the eligible individual
17 in the same manner as any refund of an
18 overpayment of tax.

19 “(ii) EXTENSION OF LIMITATION ON
20 TIME FOR REFUND.—With respect to any
21 refund under subparagraph (A)—

22 “(I) the 3-year period of limita-
23 tion prescribed by section 6511(a)
24 shall be extended until the end of the
25 1-year period beginning on the date

1 that the notice described in subpara-
2 graph (C) is provided to the eligible
3 individual, and

4 “(II) any limitation under section
5 6511(b)(2) shall not apply.

6 “(2) ELIGIBLE INDIVIDUAL.—For purposes of
7 this subsection, the term ‘eligible individual’ means
8 any applicable individual who, for any taxable year
9 ending during the applicable period, paid or incurred
10 any interest, penalty, additional amount, or addition
11 to the tax in respect to any tax liability for such
12 year of such individual based on a determination
13 that an act described in section 7508(a)(1) which
14 was not performed by the time prescribed therefor
15 (without regard to any extensions).

16 “(3) APPLICABLE PERIOD.—For purposes of
17 this subsection, the term ‘applicable period’ means
18 the period—

19 “(A) beginning on January 1, 2021, and

20 “(B) ending on the date of enactment of
21 this subsection.”.

22 “(2) EFFECTIVE DATE.—The amendment made
23 by this section shall apply to taxable years ending on
24 or before the date of enactment of this Act.

1 **SEC. 112209. TERMINATION OF TAX-EXEMPT STATUS OF**
2 **TERRORIST SUPPORTING ORGANIZATIONS.**

3 (a) IN GENERAL.—Section 501(p) is amended by
4 adding at the end the following new paragraph:

5 “(8) APPLICATION TO TERRORIST SUPPORTING
6 ORGANIZATIONS.—

7 “(A) IN GENERAL.—For purposes of this
8 subsection, in the case of any terrorist sup-
9 porting organization—

10 “(i) such organization (and the des-
11 ignation of such organization under sub-
12 paragraph (B)) shall be treated as de-
13 scribed in paragraph (2), and

14 “(ii) the period of suspension de-
15 scribed in paragraph (3) with respect to
16 such organization shall be treated as begin-
17 ning on the date that the Secretary des-
18 ignates such organization under subpara-
19 graph (B) and ending on the date that the
20 Secretary rescinds such designation under
21 subparagraph (D).

22 “(B) TERRORIST SUPPORTING ORGANIZA-
23 TION.—For purposes of this paragraph—

24 “(i) IN GENERAL.—the term ‘terrorist
25 supporting organization’ means any orga-
26 nization which is designated by the Sec-

1 retary as having provided, during the 3-
2 year period ending on the date of such des-
3 ignation, material support or resources to
4 an organization described in paragraph (2)
5 (determined after the application of this
6 paragraph to such organization) in excess
7 of a de minimis amount.

8 “(ii) MATERIAL SUPPORT OR RE-
9 SOURCES.—The term ‘material support or
10 resources’ has the meaning given such
11 term in subsection (g)(4) of section 2339B
12 of title 18, United States Code, except that
13 such term shall not include—

14 “(I) support or resources that
15 were approved by the Secretary of
16 State with the concurrence of the At-
17 torney General for purposes of sub-
18 section (j) of such section, or

19 “(II) humanitarian aid provided
20 with the approval of the Office of For-
21 eign Assets Control.

22 “(C) DESIGNATION PROCEDURE.—

23 “(i) NOTICE REQUIREMENT.—Prior to
24 designating any organization as a terrorist
25 supporting organization under subpara-

1 graph (B), the Secretary shall mail to the
2 most recent mailing address provided by
3 such organization on the organization's an-
4 nual return or notice under section 6033
5 (or subsequent form indicating a change of
6 address) a written notice which includes—

7 “(I) a statement that the Sec-
8 retary will designate such organization
9 as a terrorist supporting organization
10 unless the organization satisfies the
11 requirements of subclause (I) or (II)
12 of clause (ii),

13 “(II) the name of the organiza-
14 tion or organizations with respect to
15 which the Secretary has determined
16 such organization provided material
17 support or sources as described in
18 subparagraph (B),

19 “(III) a description of such mate-
20 rial support or resources except to the
21 extent that the Secretary determines
22 that disclosure of such description
23 would be inconsistent with national
24 security or law enforcement interests,
25 and

1 “(IV) if the Secretary makes the
2 determination described in subclause
3 (III), a statement that the Secretary
4 has made such determination and that
5 all or part of the description of such
6 material support or resources is not
7 included in such notice by reason of
8 such determination.

9 “(ii) OPPORTUNITY TO CURE.—In the
10 case of any notice provided to an organiza-
11 tion under clause (i), the Secretary shall,
12 at the close of the 90-day period beginning
13 on the date that such notice was sent, des-
14 ignate such organization as a terrorist sup-
15 porting organization under subparagraph
16 (B) if (and only if) such organization has
17 not (during such period)—

18 “(I) demonstrated to the satisfac-
19 tion of the Secretary that such organi-
20 zation did not provide the material
21 support or resources referred to in
22 subparagraph (B),

23 “(II) made reasonable efforts to
24 have such support or resources re-
25 turned to such organization and cer-

1 tified in writing to the Secretary that
2 such organization will not provide any
3 further support or resources to orga-
4 nizations described in paragraph (2),
5 or

6 “(III) if such notice included a
7 statement described in clause (i)(IV),
8 filed a complaint with a United States
9 district court of competent jurisdiction
10 alleging that Secretary’s determina-
11 tion under clause (i)(III) is erroneous.

12 A certification under subclause (II) shall
13 not be treated as valid if the organization
14 making such certification has provided any
15 other such certification during the pre-
16 ceding 5 years.

17 “(iii) APPLICATION OF OPPORTUNITY
18 TO CURE FOLLOWING COMPLAINT REGARD-
19 ING DETERMINATION TO WITHHOLD DE-
20 SCRIPTION OF MATERIAL SUPPORT OR RE-
21 SOURCES.—In the case of a final judgment
22 of a court of competent jurisdiction that
23 the Secretary’s determination under clause
24 (i)(III) was not erroneous, clause (ii) shall
25 be applied without regard to subclause

1 (III) thereof and as though the notice re-
2 ferred to in such clause was sent on the
3 first date that all rights of appeal with re-
4 spect to such final judgement have con-
5 cluded.

6 “(D) RESCISSION.—The Secretary shall re-
7 scind a designation under subparagraph (B) if
8 (and only if)—

9 “(i) the Secretary determines that
10 such designation was erroneous,

11 “(ii) after the Secretary receives a
12 written certification from an organization
13 that such organization did not receive the
14 notice described in subparagraph (C)(i)—

15 “(I) the Secretary determines
16 that it is reasonable to believe that
17 such organization did not receive such
18 notice, and

19 “(II) such organization satisfies
20 the requirements of subclause (I) or
21 (II) of subparagraph (C)(ii) (deter-
22 mined after taking into account the
23 last sentence thereof), or

24 “(iii) the Secretary determines, with
25 respect to all organizations to which the

1 material support or resources referred to
2 in subparagraph (B) were provided, the pe-
3 riods of suspension under paragraph (3)
4 have ended.

5 A certification described in the matter pre-
6 ceding subclause (I) of clause (ii) shall not be
7 treated as valid if the organization making such
8 certification has provided any other such certifi-
9 cation during the preceding 5 years.

10 “(E) ADMINISTRATIVE REVIEW BY INTER-
11 NAL REVENUE SERVICE INDEPENDENT OFFICE
12 OF APPEALS.—In the case of the designation of
13 an organization by the Secretary as a terrorist
14 supporting organization under subparagraph
15 (B), a dispute regarding such designation shall
16 be subject to resolution by the Internal Revenue
17 Service Independent Office of Appeals under
18 section 7803(e) in the same manner as if such
19 designation were made by the Internal Revenue
20 Service and paragraph (5) of this subsection
21 did not apply.

22 “(F) JURISDICTION OF UNITED STATES
23 COURTS.—Notwithstanding paragraph (5), the
24 United States district courts shall have exclu-
25 sive jurisdiction to review any determination of

1 the Secretary under subparagraph (C)(i)(III)
2 and any final determination with respect to an
3 organization's designation as a terrorist sup-
4 porting organization under subparagraph (B).
5 In the case of any such determination which
6 was based on classified information (as defined
7 in section 1(a) of the Classified Information
8 Procedures Act), such information may be sub-
9 mitted to the reviewing court ex parte and in
10 camera. For purposes of this subparagraph, a
11 determination with respect to an organization's
12 designation as a terrorist supporting organiza-
13 tion shall not fail to be treated as a final deter-
14 mination merely because such organization fails
15 to utilize the dispute resolution process of the
16 Internal Revenue Service Independent Office of
17 Appeals provided under subparagraph (E).

18 “(G) CLASSIFIED INFORMATION.—The
19 Secretary shall establish policies and procedures
20 for purposes of this paragraph that ensure that
21 employees of the Department of the Treasury
22 comply with all laws regarding the handling and
23 review of classified information (as defined in
24 section 1(a) of the Classified Information Pro-
25 cedures Act).”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to designations made after the date
3 of the enactment of this Act in taxable years ending after
4 such date.

5 **SEC. 112210. INCREASE IN PENALTIES FOR UNAUTHORIZED**
6 **DISCLOSURES OF TAXPAYER INFORMATION.**

7 (a) IN GENERAL.—Paragraphs (1), (2), (3), (4), and
8 (5) of section 7213(a) are each amended by striking
9 “\$5,000, or imprisonment of not more than 5 years” and
10 inserting “\$250,000, or imprisonment of not more than
11 10 years”.

12 (b) DISCLOSURES OF RETURN INFORMATION OF
13 MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLA-
14 TIONS.—Section 7213(a) is amended by adding at the end
15 the following new paragraph:

16 “(6) DISCLOSURES OF RETURN INFORMATION
17 OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE
18 VIOLATIONS.—For purposes of this subsection, a
19 separate violation occurs with respect to each tax-
20 payer whose return or return information is dis-
21 closed in violation of this subsection.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to disclosures made after the date
24 of the enactment of this Act.

1 **SEC. 112211. RESTRICTION ON REGULATION OF CONTIN-**
2 **GENCY FEES WITH RESPECT TO TAX RE-**
3 **URNS, ETC.**

4 The Secretary of the Treasury may not regulate, pro-
5 hibit, or restrict the use of a contingent fee in connection
6 with tax returns, claims for refund, or documents in con-
7 nection with tax returns or claims for refund prepared on
8 behalf of a taxpayer.

9 **Subtitle D—Increase in Debt Limit**

10 **SEC. 113001. MODIFICATION OF LIMITATION ON THE PUB-**
11 **LIC DEBT.**

12 The limitation under section 3101(b) of title 31,
13 United States Code, as most recently increased by section
14 401(b) of Public Law 118–5 (31 U.S.C. 3101 note), is
15 increased by \$4,000,000,000,000.

