

# **TITLE VII—FINANCE**

## **Subtitle A—Tax**

### **SEC. 70001. REFERENCES TO THE INTERNAL REVENUE CODE OF 1986, ETC.**

(a) REFERENCES.—Except as otherwise expressly provided, whenever in this title, an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

### **CHAPTER 1—PROVIDING PERMANENT TAX RELIEF FOR MIDDLE-CLASS FAMILIES AND WORKERS**

#### **SEC. 70101. EXTENSION AND ENHANCEMENT OF REDUCED RATES.**

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

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

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

3           (b) INFLATION ADJUSTMENT.—Section 1(j)(3)(B)(i)  
4 is amended by inserting “solely for purposes of deter-  
5 mining the dollar amounts at which any rate bracket high-  
6 er than 22 percent ends and at which any rate bracket  
7 higher than 24 percent begins,” before “subsection  
8 (f)(3)”.

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

12 **SEC. 70102. EXTENSION AND ENHANCEMENT OF IN-**  
13 **CREASED STANDARD DEDUCTION.**

14           (a) IN GENERAL.—Section 63(c)(7) is amended—  
15           (1) by striking “, and before January 1, 2026”  
16           in the matter preceding subparagraph (A), and  
17           (2) by striking “2018 THROUGH 2025” in the  
18           heading and inserting “BEGINNING AFTER 2017”.

19           (b) ADDITIONAL INCREASE IN STANDARD DEDUC-  
20 TION.—Paragraph (7) of section 63(c) is amended—  
21           (1) by striking “\$18,000” both places it ap-  
22           pears in subparagraphs (A)(i) and (B)(ii) and in-  
23           serting “\$24,000”,

1 (2) by striking “\$12,000” both places it ap-  
2 pears in subparagraphs (A)(ii) and (B)(ii) and in-  
3 serting “\$16,000”,

4 (3) by striking “2018” in subparagraph (B)(ii)  
5 and inserting “2026”, and

6 (4) by striking “2017” in subparagraph  
7 (B)(ii)(II) and inserting “2025”.

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

11 **SEC. 70103. TERMINATION OF DEDUCTION FOR PERSONAL**  
12 **EXEMPTIONS OTHER THAN TEMPORARY SEN-**  
13 **IOR DEDUCTION.**

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

15 (1) by striking “2018 THROUGH 2025” in the  
16 heading and inserting “BEGINNING AFTER 2017”,

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

19 (3) by adding at the end the following new sub-  
20 paragraph:

21 “(C) DEDUCTION FOR SENIORS.—

22 “(i) IN GENERAL.—In the case of a  
23 taxable year beginning before January 1,  
24 2029, there shall be allowed a deduction in  
25 an amount equal to \$6,000 for each quali-

1           fied individual with respect to the tax-  
2           payer.

3           “(ii) QUALIFIED INDIVIDUAL.—For  
4           purposes of clause (i), the term ‘qualified  
5           individual’ means—

6                   “(I) the taxpayer, if the taxpayer  
7                   has attained age 65 before the close of  
8                   the taxable year, and

9                   “(II) in the case of a joint re-  
10                  turn, the taxpayer’s spouse, if such  
11                  spouse has attained age 65 before the  
12                  close of the taxable year.

13           “(iii) LIMITATION BASED ON MODI-  
14           FIED ADJUSTED GROSS INCOME.—

15                   “(I) IN GENERAL.—In the case  
16                   of any taxpayer for any taxable year,  
17                   the \$6,000 amount in clause (i) shall  
18                   be reduced (but not below zero) by 6  
19                   percent of so much of the taxpayer’s  
20                   modified adjusted gross income as ex-  
21                   ceeds \$75,000 (\$150,000 in the case  
22                   of a joint return).

23                   “(II) MODIFIED ADJUSTED  
24                   GROSS INCOME.—For purposes of this  
25                   clause, the term ‘modified adjusted

1 gross income’ means the adjusted  
2 gross income of the taxpayer for the  
3 taxable year increased by any amount  
4 excluded from gross income under sec-  
5 tion 911, 931, or 933.

6 “(iv) SOCIAL SECURITY NUMBER RE-  
7 QUIRED.—

8 “(I) IN GENERAL.—Clause (i)  
9 shall not apply unless the taxpayer in-  
10 cludes on the return of tax for the  
11 taxable year the qualified individual’s  
12 social security number and, if the  
13 qualified individual is married, the so-  
14 cial security number of such individ-  
15 ual’s spouse.

16 “(II) SOCIAL SECURITY NUM-  
17 BER.—For purposes of subclause (I),  
18 the term ‘social security number’ has  
19 the meaning given such term in sec-  
20 tion 24(h)(7).

21 “(v) MARRIED INDIVIDUALS.—Rules  
22 similar to the rules of section 32(d) (other  
23 than paragraph (2)(B)(ii) thereof) shall  
24 apply for purposes of this subparagraph.”.

1 (b) OMISSION OF CORRECT SOCIAL SECURITY NUM-  
2 BER TREATED AS MATHEMATICAL OR CLERICAL  
3 ERROR.—Section 6213(g)(2) is amended by striking  
4 “and” at the end of subparagraph (U), by striking the  
5 period at the end of subparagraph (V) and inserting “,  
6 and”, and by inserting after subparagraph (V) the fol-  
7 lowing new subparagraph:

8 “(W) an omission of a correct social secu-  
9 rity number required under section  
10 151(d)(5)(C) (relating to deduction for sen-  
11 iors).”.

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

15 **SEC. 70104. EXTENSION AND ENHANCEMENT OF IN-**  
16 **CREASED CHILD TAX CREDIT.**

17 (a) EXTENSION AND INCREASE OF EXPANDED  
18 CHILD TAX CREDIT.—Section 24(h) is amended—

19 (1) in paragraph (1), by striking “, and before  
20 January 1, 2026”,

21 (2) in paragraph (2), by striking “\$2,000” and  
22 inserting “\$2,200”, and

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

1 (b) SOCIAL SECURITY NUMBER REQUIRED.—Section  
2 24(h)(7) is amended to read as follows:

3 “(7) SOCIAL SECURITY NUMBER REQUIRED.—

4 “(A) IN GENERAL.—No credit shall be al-  
5 lowed under this section to a taxpayer with re-  
6 spect to any qualifying child unless the taxpayer  
7 includes on the return of tax for the taxable  
8 year—

9 “(i) the taxpayer’s social security  
10 number (or, in the case of a joint return,  
11 the social security number of at least 1  
12 spouse), and

13 “(ii) the social security number of  
14 such qualifying child.

15 “(B) SOCIAL SECURITY NUMBER.—For  
16 purposes of this paragraph, the term ‘social se-  
17 curity number’ means a social security number  
18 issued to an individual by the Social Security  
19 Administration, but only if the social security  
20 number is issued—

21 “(i) to a citizen of the United States  
22 or pursuant to subclause (I) (or that por-  
23 tion of subclause (III) that relates to sub-  
24 clause (I)) of section 205(c)(2)(B)(i) of the  
25 Social Security Act, and

1 “(ii) before the due date for such re-  
2 turn.”.

3 (c) INFLATION ADJUSTMENTS.—

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

6 “(i) INFLATION ADJUSTMENTS.—

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

11 “(A) such dollar amount, multiplied by

12 “(B) the cost-of-living adjustment deter-  
13 mined under section 1(f)(3) for the calendar  
14 year in which the taxable year begins, deter-  
15 mined by substituting ‘2017’ for ‘2016’ in sub-  
16 paragraph (A)(ii) thereof.

17 “(2) SPECIAL RULE FOR ADJUSTMENT OF  
18 CREDIT AMOUNT.—In the case of a taxable year be-  
19 ginning after 2025, the \$2,200 amount in subsection  
20 (h)(2) 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 ‘2024’ for ‘2016’ in sub-  
2           paragraph (A)(ii) thereof.

3           “(3) ROUNDING.—If any increase under this  
4           subsection is not a multiple of \$100, such increase  
5           shall be rounded to the next lowest multiple of  
6           \$100.”.

7           (d) CONFORMING AMENDMENT.—Section 24(h)(5) is  
8           amended to read as follows:

9           “(5) MAXIMUM AMOUNT OF REFUNDABLE  
10          CREDIT.—The amount determined under subsection  
11          (d)(1)(A) with respect to any qualifying child shall  
12          not exceed \$1,400, and such subsection shall be ap-  
13          plied without regard to paragraph (4) of this sub-  
14          section.”.

15          (e) OMISSION OF CORRECT SOCIAL SECURITY NUM-  
16          BER TREATED AS MATHEMATICAL OR CLERICAL  
17          ERROR.—Section 6213(g)(2)(I) is amended by striking  
18          “section 24(e)” and inserting “section 24”.

19          (f) EFFECTIVE DATE.—The amendments made by  
20          this section shall apply to taxable years beginning after  
21          December 31, 2024.

22       **SEC. 70105. EXTENSION AND ENHANCEMENT OF DEDUC-**  
23       **TION FOR QUALIFIED BUSINESS INCOME.**

24          (a) INCREASE IN TAXABLE INCOME LIMITATION  
25          PHASE-IN AMOUNTS.—

1           (1) IN GENERAL.—Subparagraph (B) of section  
2       199A(b)(3) is amended by striking “\$50,000  
3       (\$100,000 in the case of a joint return)” each place  
4       it appears and inserting “\$75,000 (\$150,000 in the  
5       case of a joint return)”.

6           (2) CONFORMING AMENDMENT.—Paragraph (3)  
7       of section 199A(d) is amended by striking “\$50,000  
8       (\$100,000 in the case of a joint return)” each place  
9       it appears and inserting “\$75,000 (\$150,000 in the  
10      case of a joint return)”.

11       (b) MINIMUM DEDUCTION FOR ACTIVE QUALIFIED  
12 BUSINESS INCOME.—

13           (1) IN GENERAL.—Subsection (i) of section  
14       199A is amended to read as follows:

15       “(i) MINIMUM DEDUCTION FOR ACTIVE QUALIFIED  
16 BUSINESS INCOME.—

17           “(1) IN GENERAL.—In the case of an applicable  
18       taxpayer for any taxable year, the deduction allowed  
19       under subsection (a) for the taxable year shall be  
20       equal to the greater of—

21           “(A) the amount of such deduction deter-  
22       mined without regard to this subsection, or

23           “(B) \$400.

24           “(2) APPLICABLE TAXPAYER.—For purposes of  
25       this subsection—

1           “(A) IN GENERAL.—The term ‘applicable  
2 taxpayer’ means, with respect to any taxable  
3 year, a taxpayer whose aggregate qualified busi-  
4 ness income with respect to all active qualified  
5 trades or businesses of the taxpayer for such  
6 taxable year is at least \$1,000.

7           “(B) ACTIVE QUALIFIED TRADE OR BUSI-  
8 NESS.—The term ‘active qualified trade or busi-  
9 ness’ means, with respect to any taxpayer for  
10 any taxable year, any qualified trade or busi-  
11 ness of the taxpayer in which the taxpayer ma-  
12 terially participates (within the meaning of sec-  
13 tion 469(h)).

14           “(3) INFLATION ADJUSTMENT.—In the case of  
15 any taxable year beginning after 2026, the \$400  
16 amount in paragraph (1)(B) and the \$1,000 amount  
17 in paragraph (2)(A) shall each be increased by an  
18 amount equal to —

19           “(A) such dollar amount, multiplied by

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

1 If any increase under this paragraph is not a mul-  
2 tiple of \$5, such increase shall be rounded to the  
3 nearest multiple of \$5.”.

4 (2) CONFORMING AMENDMENT.—Section  
5 199A(a) is amended by inserting “except as pro-  
6 vided in subsection (i),” before “there”.

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

10 **SEC. 70106. EXTENSION AND ENHANCEMENT OF IN-**  
11 **CREASED ESTATE AND GIFT TAX EXEMPTION**  
12 **AMOUNTS.**

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

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

16 (2) in subparagraph (B)—

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

19 (B) in clause (ii), by striking “calendar  
20 year 2010” and inserting “calendar year  
21 2025”, and

22 (3) by striking subparagraph (C).

23 (b) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to estates of decedents dying and  
25 gifts made after December 31, 2025.

1 **SEC. 70107. EXTENSION OF INCREASED ALTERNATIVE MIN-**  
2 **IMUM TAX EXEMPTION AMOUNTS AND MODI-**  
3 **FICATION OF PHASEOUT THRESHOLDS.**

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

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

7 (2) by striking “AND BEFORE 2026” in the  
8 heading.

9 (b) MODIFICATION OF INFLATION ADJUSTMENT.—  
10 Section 55(d)(4)(B) is amended—

11 (1) by striking “2018” and inserting “2018  
12 (2026, in the case of the \$1,000,000 amount in sub-  
13 paragraph (A)(ii)(I))”, and

14 (2) by striking “determined by substituting ‘cal-  
15 endar year 2017’ for ‘calendar year 2016’ in sub-  
16 paragraph (A)(ii) thereof.” and inserting “deter-  
17 mined by substituting for ‘calendar year 2016’ in  
18 subparagraph (A)(ii) thereof—

19 “(1) ‘calendar year 2017’, in the case of the  
20 \$109,400 amount in subparagraph (A)(i)(I) and the  
21 \$70,300 amount in subparagraph (A)(i)(II), and

22 “(2) ‘calendar year 2025’, in the case of the  
23 \$1,000,000 amount in subparagraph (A)(ii)(I).”.

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

1 **SEC. 70108. EXTENSION AND MODIFICATION OF LIMITA-**  
2 **TION ON DEDUCTION FOR QUALIFIED RESI-**  
3 **DENCE INTEREST.**

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

6 (1) in clause (i)—

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

9 (B) by redesignating subclauses (III) and  
10 (IV) as subclauses (IV) and (V), respectively,

11 (C) by striking “subclause (III)” in sub-  
12 clause (V), as so redesignated, and inserting  
13 “subclause (IV)”, and

14 (D) by inserting after subclause (II) the  
15 following new subclause:

16 “(III) MORTGAGE INSURANCE  
17 PREMIUMS TREATED AS INTEREST.—  
18 Clause (iv) of subparagraph (E) shall  
19 not apply.”,

20 (2) by striking clause (ii) and redesignating  
21 clauses (iii) and (iv) as clauses (ii) and (iii), respec-  
22 tively, and

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

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

4 **SEC. 70109. EXTENSION AND MODIFICATION OF LIMITA-**  
5 **TION ON CASUALTY LOSS DEDUCTION.**

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

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

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

11 (b) EXTENSION TO STATE DECLARED DISASTERS.—

12 (1) IN GENERAL.—Subparagraph (A) of section  
13 165(h)(5), as amended by subsection (a), is further  
14 amended by striking “(i)(5))” and inserting “(i)(5))  
15 or a State declared disaster”.

16 (2) EXCEPTION RELATED TO PERSONAL CAS-  
17 UALTY GAINS.—Clause (i) of section 165(h)(5)(B) is  
18 amended by striking “(as so defined)” and inserting  
19 “(as so defined) or a State declared disaster”.

20 (3) STATE DECLARED DISASTER.—Paragraph  
21 (5) of section 165(h) is amended by adding at the  
22 end the following new subparagraph:

23 “(C) STATE DECLARED DISASTER.—For  
24 purposes of this paragraph—

1                   “(i) IN GENERAL.—The term ‘State  
2                   declared disaster’ means, with respect to  
3                   any State, any natural catastrophe (includ-  
4                   ing any hurricane, tornado, storm, high  
5                   water, wind-driven water, tidal wave, tsu-  
6                   nami, earthquake, volcanic eruption, land-  
7                   slide, mudslide, snowstorm, or drought),  
8                   or, regardless of cause, any fire, flood, or  
9                   explosion, in any part of the State, which  
10                  in the determination of the Governor of  
11                  such State (or the Mayor, in the case of  
12                  the District of Columbia) and the Sec-  
13                  retary causes damage of sufficient severity  
14                  and magnitude to warrant the application  
15                  of the rules of this section.

16                  “(ii) STATE.—The term ‘State’ in-  
17                  cludes the District of Columbia, the Com-  
18                  monwealth of Puerto Rico, the Virgin Is-  
19                  lands, Guam, American Samoa, and the  
20                  Commonwealth of the Northern Mariana  
21                  Islands.”.

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



1 **SEC. 70110. TERMINATION OF MISCELLANEOUS ITEMIZED**  
2 **DEDUCTIONS OTHER THAN EDUCATOR EX-**  
3 **PENSES.**

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

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

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

9 (b) DEDUCTION FOR EDUCATOR EXPENSES.—

10 (1) IN GENERAL.—Section 67(b) is amended by  
11 striking “and” at the end of paragraph (11), by  
12 striking the period at the end of paragraph (12) and  
13 inserting “, and”, and by adding at the end the fol-  
14 lowing new paragraph:

15 “(13) the deductions allowed by section 162 for  
16 educator expenses (as defined in subsection (g)).”.

17 (2) INCLUSION OF COACHES AND CERTAIN NON-  
18 ATHLETIC INSTRUCTIONAL EQUIPMENT.—Section 67  
19 is amended by redesignating subsection (g), as  
20 amended by this section, as subsection (h), and by  
21 inserting after subsection (f) the following new sec-  
22 tion:

23 “(g) EDUCATOR EXPENSES.—For purposes of sub-  
24 section (b)(13), the term ‘educator expenses’ means ex-  
25 penses of a type which would be described in section  
26 62(a)(2)(D) if—

1 “(1) such section were applied—

2 “(A) without regard to the dollar limita-  
3 tion,

4 “(B) without regard to ‘(other than non-  
5 athletic supplies for courses of instruction in  
6 health or physical education)’ in clause (ii)  
7 thereof, and

8 “(C) by substituting ‘as part of instruc-  
9 tional activity’ for ‘in the classroom’ in clause  
10 (ii) thereof, and

11 “(2) section 62(d)(1)(A) were applied by insert-  
12 ing ‘, interscholastic sports administrator or coach,’  
13 after ‘counselor’.”.

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

17 **SEC. 70111. LIMITATION ON TAX BENEFIT OF ITEMIZED DE-**  
18 **DUCTIONS.**

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

21 “(a) IN GENERAL.—In the case of an individual, the  
22 amount of the itemized deductions otherwise allowable for  
23 the taxable year (determined without regard to this sec-  
24 tion) shall be reduced by  $\frac{2}{37}$  of the lesser of—

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

1           “(2) so much of the taxable income of the tax-  
2       payer for the taxable year (determined without re-  
3       gard to this section and increased by such amount  
4       of itemized deductions) as exceeds the dollar amount  
5       at which the 37 percent rate bracket under section  
6       1 begins with respect to the taxpayer.

7       “(b) COORDINATION WITH OTHER LIMITATIONS.—  
8       This section shall be applied after the application of any  
9       other limitation on the allowance of any itemized deduc-  
10      tion.”.

11       (b) LIMITATION NOT APPLICABLE TO DETERMINA-  
12      TION OF DEDUCTION FOR QUALIFIED BUSINESS IN-  
13      COME.—

14           (1) IN GENERAL.—Section 199A(e)(1) is  
15       amended by inserting “without regard to section 68  
16       and” after “shall be computed”.

17           (2) PATRONS OF SPECIFIED AGRICULTURAL  
18       AND HORTICULTURAL COOPERATIVES.—Section  
19       199A(g)(2)(B) is amended by inserting “section 68  
20       or” after “without regard to”.

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

1 **SEC. 70112. EXTENSION AND MODIFICATION OF QUALIFIED**  
2 **TRANSPORTATION FRINGE BENEFITS.**

3 (a) IN GENERAL.—Section 132(f) is amended—

4 (1) by striking subparagraph (D) of paragraph  
5 (1),

6 (2) in paragraph (2), by inserting “and” at the  
7 end of subparagraph (A), by striking “, and” at the  
8 end of subparagraph (B) and inserting a period, and  
9 by striking subparagraph (C),

10 (3) by striking “(other than a qualified bicycle  
11 commuting reimbursement)” in paragraph (4),

12 (4) by striking subparagraph (F) of paragraph  
13 (5), and

14 (5) by striking paragraph (8).

15 (b) INFLATION ADJUSTMENT.—Clause (ii) of section  
16 132(f)(6)(A) is amended by striking “1998” in clause (ii)  
17 and inserting “1997”.

18 (c) COORDINATION WITH DISALLOWANCE OF CER-  
19 TAIN EXPENSES.—Subsection (l) of section 274 is amend-  
20 ed—

21 (1) by striking “BENEFITS.—” and all that fol-  
22 lows through “No deduction” and inserting “BENE-  
23 FITS.—No deduction”, and

24 (2) by striking paragraph (2).

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

4 **SEC. 70113. EXTENSION AND MODIFICATION OF LIMITA-**  
5 **TION ON DEDUCTION AND EXCLUSION FOR**  
6 **MOVING EXPENSES.**

7 (a) EXTENSION OF LIMITATION ON DEDUCTION.—  
8 Section 217(k) is amended—

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

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

13 (b) ALLOWANCE OF DEDUCTION FOR MEMBERS OF  
14 THE INTELLIGENCE COMMUNITY.—Section 217(k), as  
15 amended by subsection (a), is further amended—

16 (1) by striking “2017.—Except in the case”  
17 and inserting “2017.—

18 “(1) IN GENERAL.—Except in the case”, and

19 (2) by adding at the end the following new  
20 paragraph:

21 “(2) MEMBERS OF THE INTELLIGENCE COMMU-  
22 NITY.—An employee or new appointee of the intel-  
23 ligence community (as defined in section 3 of the  
24 National Security Act of 1947 (50 U.S.C. 3003))  
25 (other than a member of the Armed Forces of the

1 United States) who moves pursuant to a change in  
2 assignment which requires relocation shall be treated  
3 for purposes of this section in the same manner as  
4 an individual to whom subsection (g) applies.”.

5 (c) EXTENSION OF LIMITATION ON EXCLUSION.—

6 Section 132(g)(2) is amended—

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

8 and

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

11 (d) ALLOWANCE OF EXCLUSION FOR MEMBERS OF  
12 THE INTELLIGENCE COMMUNITY.—Section 132(g)(2) of  
13 the Internal Revenue Code of 1986 is amended by insert-  
14 ing “, or an employee or new appointee of the intelligence  
15 community (as defined in section 3 of the National Secu-  
16 rity Act of 1947 (50 U.S.C. 3003)) (other than a member  
17 of the Armed Forces of the United States) who moves pur-  
18 suant to a change in assignment that requires relocation”  
19 after “change of station”.

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

1 **SEC. 70114. EXTENSION AND MODIFICATION OF LIMITA-**  
2 **TION ON WAGERING LOSSES.**

3 (a) IN GENERAL.—Section 165 is amended by strik-  
4 ing subsection (d) and inserting the following:

5 “(d) WAGERING LOSSES.—

6 “(1) IN GENERAL.—For purposes of losses  
7 from wagering transactions, the amount allowed as  
8 a deduction for any taxable year—

9 “(A) shall be equal to 90 percent of the  
10 amount of such losses during such taxable year,  
11 and

12 “(B) shall be allowed only to the extent of  
13 the gains from such transactions during such  
14 taxable year.

15 “(2) SPECIAL RULE.—For purposes of para-  
16 graph (1), the term ‘losses from wagering trans-  
17 actions’ includes any deduction otherwise allowable  
18 under this chapter incurred in carrying on any wa-  
19 gering transaction.”.

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

1 **SEC. 70115. EXTENSION AND ENHANCEMENT OF IN-**  
2 **CREASED LIMITATION ON CONTRIBUTIONS**  
3 **TO ABLE ACCOUNTS.**

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

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

9 (2) in clause (ii), by striking “before January  
10 1, 2026”.

11 (b) EFFECTIVE DATES.—

12 (1) IN GENERAL.—Except as otherwise pro-  
13 vided in this subsection, the amendments made by  
14 this section shall apply to contributions made after  
15 December 31, 2025.

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

19 **SEC. 70116. EXTENSION OF SAVERS CREDIT ALLOWED FOR**  
20 **ABLE CONTRIBUTIONS.**

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

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



1           “(A) the amount of contributions made by  
2           the eligible individual during such taxable year  
3           to the ABLE account (within the meaning of  
4           section 529A) of which such individual is the  
5           designated beneficiary, and

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

8                   “(i) the amount of the qualified retire-  
9                   ment contributions (as defined in section  
10                  219(e)) made by the eligible individual,

11                  “(ii) the amount of—

12                           “(I) any elective deferrals (as de-  
13                           fined in section 402(g)(3)) of such in-  
14                           dividual, and

15                           “(II) any elective deferral of com-  
16                           pensation by such individual under an  
17                           eligible deferred compensation plan  
18                           (as defined in section 457(b)) of an  
19                           eligible employer described in section  
20                           457(e)(1)(A), and

21                           “(iii) the amount of voluntary em-  
22                           ployee contributions by such individual to  
23                           any qualified retirement plan (as defined  
24                           in section 4974(c)).”.

1 (b) COORDINATION WITH SECURE 2.0 ACT OF  
2 2022 AMENDMENT.—Paragraph (1) of section 103(e) of  
3 the SECURE 2.0 Act of 2022 is repealed, and the Inter-  
4 nal Revenue Code of 1986 shall be applied and adminis-  
5 tered as though such paragraph were never enacted.

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

9 **SEC. 70117. EXTENSION OF ROLLOVERS FROM QUALIFIED**  
10 **TUITION PROGRAMS TO ABLE ACCOUNTS**  
11 **PERMITTED.**

12 (a) IN GENERAL.—Section 529(c)(3)(C)(i)(III) is  
13 amended by striking “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. 70118. EXTENSION OF TREATMENT OF CERTAIN INDIVIDUALS**  
18 **PERFORMING SERVICES IN THE**  
19 **SINAI PENINSULA AND ENHANCEMENT TO IN-**  
20 **CLUDE ADDITIONAL AREAS.**

21 (a) TREATMENT MADE PERMANENT.—Section  
22 11026(a) of Public Law 115–97 is amended by striking  
23 “, with respect to the applicable period”.

24 (b) KENYA, MALI, BURKINA FASO, AND CHAD IN-  
25 CLUDED AS HAZARDOUS DUTY AREAS.—Section

1 11026(b) of Public Law 115–97 is amended to read as  
2 follows:

3 “(b) QUALIFIED HAZARDOUS DUTY AREA.—For  
4 purposes of this section, the term ‘qualified hazardous  
5 duty area’ means each of the following locations, but only  
6 during the period for which any member of the Armed  
7 Forces of the United States is entitled to special pay under  
8 section 310 of title 37, United States Code (relating to  
9 special pay; duty subject to hostile fire or imminent dan-  
10 ger), for services performed in such location:

11 “(1) the Sinai Peninsula of Egypt.

12 “(2) Kenya.

13 “(3) Mali.

14 “(4) Burkina Faso.

15 “(5) Chad.”.

16 (c) CONFORMING AMENDMENT.—Section 11026 of  
17 Public Law 115–97 is amended by striking subsections (c)  
18 and (d).

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

1 **SEC. 70119. EXTENSION AND MODIFICATION OF EXCLUSION**  
2 **FROM GROSS INCOME OF STUDENT LOANS**  
3 **DISCHARGED ON ACCOUNT OF DEATH OR**  
4 **DISABILITY.**

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

7 “(5) DISCHARGES ON ACCOUNT OF DEATH OR  
8 DISABILITY.—

9 “(A) IN GENERAL.—In the case of an indi-  
10 vidual, gross income does not include any  
11 amount which (but for this subsection) would  
12 be includible in gross income for such taxable  
13 year by reason of the discharge (in whole or in  
14 part) of any loan described in subparagraph  
15 (B), if such discharge was—

16 “(i) pursuant to subsection (a) or (d)  
17 of section 437 of the Higher Education  
18 Act of 1965 or the parallel benefit under  
19 part D of title IV of such Act (relating to  
20 the repayment of loan liability),

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

23 “(iii) otherwise discharged on account  
24 of death or total and permanent disability  
25 of the student.

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

3 “(i) a student loan (as defined in  
4 paragraph (2)), or

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

8 “(C) SOCIAL SECURITY NUMBER REQUIRE-  
9 MENT.—

10 “(i) IN GENERAL.—Subparagraph (A)  
11 shall not apply with respect to any dis-  
12 charge during any taxable year unless the  
13 taxpayer includes the taxpayer’s social se-  
14 curity number on the return of tax for  
15 such taxable year.

16 “(ii) SOCIAL SECURITY NUMBER.—  
17 For purposes of this subparagraph, the  
18 term ‘social security number’ has the  
19 meaning given such term in section  
20 24(h)(7).”.

21 (b) OMISSION OF CORRECT SOCIAL SECURITY NUM-  
22 BER TREATED AS MATHEMATICAL OR CLERICAL  
23 ERROR.—Section 6213(g)(2), as amended by this Act, is  
24 further amended by striking “and” at the end of subpara-  
25 graph (V), by striking the period at the end of subpara-

1 graph (W) and inserting “, and”, and by inserting after  
2 subparagraph (W) the following new subparagraph:

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

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

10 **CHAPTER 2—DELIVERING ON PRESI-**  
11 **DENTIAL PRIORITIES TO PROVIDE**  
12 **NEW MIDDLE-CLASS TAX RELIEF**

13 **SEC. 70201. NO TAX ON TIPS.**

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

18 **“SEC. 224. QUALIFIED TIPS.**

19 “(a) IN GENERAL.—There shall be allowed as a de-  
20 duction an amount equal to the qualified tips received dur-  
21 ing the taxable year that are included on statements fur-  
22 nished to the individual pursuant to section 6041(d)(3),  
23 6041A(e)(3), 6050W(f)(2), 6051(a)(18), or reported by  
24 the taxpayer on Form 4137 (or successor).

25 “(b) LIMITATION.—

1           “(1) IN GENERAL.—The amount allowed as a  
2       deduction under this section for any taxable year  
3       shall not exceed \$25,000.

4           “(2) LIMITATION BASED ON ADJUSTED GROSS  
5       INCOME.—

6           “(A) IN GENERAL.—The amount allowable  
7       as a deduction under subsection (a) (after ap-  
8       plication of paragraph (1)) shall be reduced  
9       (but not below zero) by \$100 for each \$1,000  
10      by which the taxpayer’s modified adjusted gross  
11      income exceeds \$150,000 (\$300,000 in the case  
12      of a joint return).

13          “(B) MODIFIED ADJUSTED GROSS IN-  
14      COME.—For purposes of this paragraph, the  
15      term ‘modified adjusted gross income’ means  
16      the adjusted gross income of the taxpayer for  
17      the taxable year increased by any amount ex-  
18      cluded from gross income under section 911,  
19      931, or 933.

20          “(c) TIPS RECEIVED IN COURSE OF TRADE OR BUSI-  
21      NESS.—In the case of qualified tips received by an indi-  
22      vidual during any taxable year in the course of a trade  
23      or business (other than the trade or business of per-  
24      forming services as an employee) of such individual, such  
25      qualified tips shall be taken into account under subsection

1 (a) only to the extent that the gross income for the tax-  
2 payer from such trade or business for such taxable year  
3 (including such qualified tips) exceeds the sum of the de-  
4 ductions (other than the deduction allowed under this sec-  
5 tion) allocable to the trade or business in which such quali-  
6 fied tips are received by the individual for such taxable  
7 year.

8 “(d) QUALIFIED TIPS.—For purposes of this sec-  
9 tion—

10 “(1) IN GENERAL.—The term ‘qualified tip’  
11 means any cash tip received by an individual in an  
12 occupation which customarily and regularly received  
13 tips on or before December 31, 2024, as provided by  
14 the Secretary.

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

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

21 “(B) the trade or business in the course of  
22 which the individual receives such amount is  
23 not a specified service trade or business (as de-  
24 fined in section 199A(d)(2)), and



1           “(C) such other requirements as may be  
2           established by the Secretary in regulations or  
3           other guidance are satisfied.

4           For purposes of subparagraph (B), in the case of an  
5           individual receiving tips in the trade or business of  
6           performing services as an employee, such individual  
7           shall be treated as receiving tips in the course of a  
8           trade or business which is a specified service trade  
9           or business if the trade or business of the employer  
10          is a specified service trade or business.

11          “(3) CASH TIPS.—For purposes of paragraph  
12          (1), the term ‘cash tips’ includes tips received from  
13          customers that are paid in cash or charged and tips  
14          received from other employees under any tip-sharing  
15          arrangement.

16          “(e) SOCIAL SECURITY NUMBER REQUIRED.—

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

20                 “(A) such individual’s social security num-  
21                 ber, and

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

24          “(2) SOCIAL SECURITY NUMBER DEFINED.—

25          For purposes of paragraph (1), the term ‘social se-

1       curity number’ shall have the meaning given such  
2       term in section 24(h)(7).

3       “(f) MARRIED INDIVIDUALS.—Rules similar to the  
4 rules of section 32(d) (other than paragraph (2)(B)(ii)  
5 thereof) shall apply to this section.

6       “(g) REGULATIONS.—The Secretary shall prescribe  
7 such regulations or other guidance as may be necessary  
8 to prevent reclassification of income as qualified tips, in-  
9 cluding regulations or other guidance to prevent abuse of  
10 the deduction allowed by this section.

11       “(h) TERMINATION.—No deduction shall be allowed  
12 under this section for any taxable year beginning after De-  
13 cember 31, 2028.”.

14       (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—  
15 Section 63(b) is amended by striking “and” at the end  
16 of paragraph (3), by striking the period at the end of para-  
17 graph (4) and inserting “, and”, and by adding at the  
18 end the following new paragraph:

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

20       (c) 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 (W), by striking the  
25 period at the end of subparagraph (X) and inserting “,

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

3 “(Y) an omission of a correct social secu-  
4 rity number required under section 224(e) (re-  
5 lating to deduction for qualified tips).”.

6 (d) EXCLUSION FROM QUALIFIED BUSINESS IN-  
7 COME.—Section 199A(c)(4) is amended by striking “and”  
8 at the end of subparagraph (B), by striking the period  
9 at the end of subparagraph (C) and inserting “, and”, and  
10 by adding at the end the following new subparagraph:

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

14 (e) REPORTING REQUIREMENTS.—

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

17 (A) STATEMENT FURNISHED TO SEC-  
18 RETARY.—Section 6041(a) is amended by in-  
19 serting “(including a separate accounting of  
20 any such amounts properly designated as cash  
21 tips and whether such tips are received in an  
22 occupation described in section 224(d)(1))”  
23 after “such gains, profits, and income”.

24 (B) STATEMENT FURNISHED TO PAYEE.—  
25 Section 6041(d) is amended by striking “and”

1 at the end of paragraph (1), by striking the pe-  
2 riod at the end of paragraph (2) and inserting  
3 “, and”, and by inserting after paragraph (2)  
4 the following new paragraph:

5 “(3) in the case of compensation to non-employ-  
6 ees, the portion of payments that have been properly  
7 designated as cash tips and whether such tips are  
8 received in an occupation described in section  
9 224(d)(1).”.

10 (2) RETURNS FOR PAYMENTS MADE FOR SERV-  
11 ICES AND DIRECT SALES.—

12 (A) STATEMENT FURNISHED TO SEC-  
13 RETARY.—Section 6041A(a) is amended by in-  
14 serting “(including a separate accounting of  
15 any such amounts properly designated as cash  
16 tips and whether such tips are received in an  
17 occupation described in section 224(d)(1))”  
18 after “amount of such payments”.

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

1 “(3) in the case of subsection (a), the portion  
2 of payments that have been properly designated as  
3 cash tips and whether such tips are received in an  
4 occupation described in section 224(d)(1).”.

5 (3) RETURNS RELATING TO THIRD PARTY SET-  
6 TLEMENT ORGANIZATIONS.—

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

13 “(3) in the case of a third party settlement or-  
14 ganization, the portion of reportable payment trans-  
15 actions that have been properly designated by payors  
16 as cash tips and whether such tips are received in  
17 an occupation described in section 224(d)(1).”.

18 (B) STATEMENT FURNISHED TO PAYEE.—  
19 Section 6050W(f)(2) is amended by inserting  
20 “(including a separate accounting of any such  
21 amounts that have been properly designated by  
22 payors as cash tips and whether such cash tips  
23 are received in an occupation described in sec-  
24 tion 224(d)(1))” after “reportable payment  
25 transactions”.

1           (4) RETURNS RELATED TO WAGES.—Section  
2       6051(a) is amended by striking “and” at the end of  
3       paragraph (16), by striking the period at the end of  
4       paragraph (17) and inserting “, and”, and by insert-  
5       ing after paragraph (17) the following new para-  
6       graph:

7           “(18) the total amount of cash tips reported by  
8       the employee under section 6053(a).”.

9           (f) CLERICAL AMENDMENT.—The table of sections  
10      for part VII of subchapter B of chapter 1 is amended by  
11      redesignating the item relating to section 224 as relating  
12      to section 225 and by inserting after the item relating to  
13      section 223 the following new item:

          “Sec. 224. Qualified tips.”.

14          (g) PUBLISHED LIST OF OCCUPATIONS TRADITION-  
15      ALLY RECEIVING TIPS.—Not later than 90 days after the  
16      date of the enactment of this Act, the Secretary of the  
17      Treasury (or the Secretary’s delegate) shall publish a list  
18      of occupations which customarily and regularly received  
19      tips on or before December 31, 2024, for purposes of sec-  
20      tion 224(d)(1) of the Internal Revenue Code of 1986 (as  
21      added by subsection (a)).

22          (h) WITHHOLDING.—The Secretary of the Treasury  
23      (or the Secretary’s delegate) shall modify the tables and  
24      procedures prescribed under section 3402(a) of the Inter-  
25      nal Revenue Code of 1986 for taxable years beginning

1 after December 31, 2025, to take into account the deduc-  
2 tion allowed under section 224 of such Code (as added  
3 by this Act).

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

7 (j) **TRANSITION RULE.**—In the case of any taxable  
8 year beginning before January 1, 2026, persons required  
9 to file returns or statements under section 6041(a),  
10 6041(d)(3), 6041A(a), 6041A(e)(3), 6050W(a), or  
11 6050W(f)(2) of the Internal Revenue Code of 1986 (as  
12 amended by this section) may approximate a separate ac-  
13 counting of amounts designated as tips by any reasonable  
14 method.

15 **SEC. 70202. NO TAX ON OVERTIME.**

16 (a) **DEDUCTION ALLOWED.**—Part VII of subchapter  
17 B of chapter 1, as amended by the preceding provisions  
18 of this Act, is amended by redesignating section 225 as  
19 section 226 and by inserting after section 224 the fol-  
20 lowing new section:

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

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

25 “(b) **LIMITATION.**—

1           “(1) IN GENERAL.—The amount allowed as a  
2       deduction under this section for any taxable year  
3       shall not exceed \$12,500 (\$25,000 in the case of a  
4       joint return).

5           “(2) LIMITATION BASED ON ADJUSTED GROSS  
6       INCOME.—

7           “(A) IN GENERAL.—The amount allowable  
8       as a deduction under subsection (a) (after ap-  
9       plication of paragraph (1)) shall be reduced  
10      (but not below zero) by \$100 for each \$1,000  
11      by which the taxpayer’s modified adjusted gross  
12      income exceeds \$150,000 (\$300,000 in the case  
13      of a joint return).

14          “(B) MODIFIED ADJUSTED GROSS IN-  
15      COME.—For purposes of this paragraph, the  
16      term ‘modified adjusted gross income’ means  
17      the adjusted gross income of the taxpayer for  
18      the taxable year increased by any amount ex-  
19      cluded from gross income under section 911,  
20      931, or 933.

21          “(c) QUALIFIED OVERTIME COMPENSATION.—

22          “(1) IN GENERAL.—For purposes of this sec-  
23      tion, the term ‘qualified overtime compensation’  
24      means overtime compensation paid to an individual  
25      required under section 7 of the Fair Labor Stand-



1       ards Act of 1938 that is in excess of the regular rate  
2       (as used in such section) at which such individual is  
3       employed.

4           “(2) EXCLUSIONS.—Such term shall not in-  
5       clude any qualified tip (as defined in section  
6       224(d)).

7       “(d) SOCIAL SECURITY NUMBER REQUIRED.—

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

11           “(A) such individual’s social security num-  
12      ber, and

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

15       “(2) SOCIAL SECURITY NUMBER DEFINED.—

16      For purposes of paragraph (1), the term ‘social se-  
17      curity number’ shall have the meaning given such  
18      term in section 24(h)(7).

19       “(e) MARRIED INDIVIDUALS.—Rules similar to the  
20      rules of section 32(d) (other than paragraph (2)(B)(ii)  
21      thereof) shall apply to this section.

22       “(f) REGULATIONS.—The Secretary shall issue such  
23      regulations or other guidance as may be necessary or ap-  
24      propriate to carry out the purposes of this section, includ-

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

3 “(g) 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), as amended by the preceding provisions of  
8 this Act, is amended by striking “and” at the end of para-  
9 graph (4), by striking the period at the end of paragraph  
10 (5) and inserting “, and”, and by adding at the end the  
11 following new paragraph:

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

13 (c) REPORTING.—

14 (1) REQUIREMENT TO INCLUDE OVERTIME  
15 COMPENSATION ON W-2.—Section 6051(a), as  
16 amended by the preceding provision of this Act, is  
17 amended by striking “and” at the end of paragraph  
18 (17), by striking the period at the end of paragraph  
19 (18) and inserting “, and”, and by inserting after  
20 paragraph (18) the following new paragraph:

21 “(19) the total amount of qualified overtime  
22 compensation (as defined in section 225(c)).”.

23 (2) PAYMENTS TO PERSONS NOT TREATED AS  
24 EMPLOYEES UNDER TAX LAWS.—

1 (A) STATEMENT FURNISHED TO SEC-  
2 RETARY.—Section 6041(a), as amended by sec-  
3 tion 70201(e)(1)(A), is amended by inserting  
4 “and of any amount of qualified overtime com-  
5 pensation (as defined in section 225c))” after  
6 “an occupation described in section  
7 224(d)(1))”.

8 (B) STATEMENT FURNISHED TO PAYEE.—  
9 Section 6041(d), as amended by section  
10 70201(e)(1)(B), is amended by striking “and”  
11 at the end of paragraph (2), by striking the pe-  
12 riod at the end of paragraph (3) and inserting  
13 “, and”, and by inserting after paragraph (3)  
14 the following new paragraph:

15 “(4) the portion of payments that are qualified  
16 overtime compensation (as defined in section  
17 225(c)).”.

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

1                   “(Z) an omission of a correct social secu-  
2                   rity number required under section 225(d) (re-  
3                   lating to deduction for qualified overtime).”.

4           (e) CLERICAL AMENDMENT.—The table of sections  
5 for part VII of subchapter B of chapter 1, as amended  
6 by the preceding provisions of this Act, is amended by re-  
7 designating the item relating to section 225 as an item  
8 relating to section 226 and by inserting after the item re-  
9 lating to section 224 the following new item:

“Sec. 225. Qualified overtime compensation.”.

10          (f) WITHHOLDING.—The Secretary of the Treasury  
11 (or the Secretary’s delegate) shall modify the tables and  
12 procedures prescribed under section 3402(a) of the Inter-  
13 nal Revenue Code of 1986 for taxable years beginning  
14 after December 31, 2025, to take into account the deduc-  
15 tion allowed under section 225 of such Code (as added  
16 by this Act).

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

20          (h) TRANSITION RULE.—In the case of any taxable  
21 year beginning before January 1, 2026, persons required  
22 to file returns or statements under section 6051(a)(19),  
23 6041(a), or 6041(d)(4) of the Internal Revenue Code of  
24 1986 (as amended by this section) may approximate a sep-

1 arate accounting of amounts designated as qualified over-  
2 time compensation by any reasonable method.

3 **SEC. 70203. NO TAX ON CAR LOAN INTEREST.**

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

7 “(4) SPECIAL RULES FOR TAXABLE YEARS 2025  
8 THROUGH 2028 RELATING TO QUALIFIED PASSENGER  
9 VEHICLE LOAN INTEREST.—

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

15 “(B) QUALIFIED PASSENGER VEHICLE  
16 LOAN INTEREST DEFINED.—

17 “(i) IN GENERAL.—For purposes of  
18 this paragraph, the term ‘qualified pas-  
19 senger vehicle loan interest’ means any in-  
20 terest which is paid or accrued during the  
21 taxable year on indebtedness incurred by  
22 the taxpayer after December 31, 2024, for  
23 the purchase of, and that is secured by a  
24 first lien on, an applicable passenger vehi-  
25 cle for personal use.

1                   “(ii) EXCEPTIONS.—Such term shall  
2 not include any amount paid or incurred  
3 on any of the following:

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

5                   “(II) A loan incurred for the pur-  
6 chase of a commercial vehicle that is  
7 not used for personal purposes.

8                   “(III) Any lease financing.

9                   “(IV) A loan to finance the pur-  
10 chase of a vehicle with a salvage title.

11                   “(V) A loan to finance the pur-  
12 chase of a vehicle intended to be used  
13 for scrap or parts.

14                   “(iii) VIN REQUIREMENT.—Interest  
15 shall not be treated as qualified passenger  
16 vehicle loan interest under this paragraph  
17 unless the taxpayer includes the vehicle  
18 identification number of the applicable pas-  
19 senger vehicle described in clause (i) on the  
20 return of tax for the taxable year.

21                   “(C) LIMITATIONS.—

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

1 “(ii) LIMITATION BASED ON MODI-  
2 FIED ADJUSTED GROSS INCOME.—

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

16 “(II) MODIFIED ADJUSTED  
17 GROSS INCOME.—For purposes of this  
18 clause, the term ‘modified adjusted  
19 gross income’ means the adjusted  
20 gross income of the taxpayer for the  
21 taxable year increased by any amount  
22 excluded from gross income under sec-  
23 tion 911, 931, or 933.

1 “(D) APPLICABLE PASSENGER VEHICLE.—

2 The term ‘applicable passenger vehicle’ means  
3 any vehicle—

4 “(i) the original use of which com-  
5 mences with the taxpayer,

6 “(ii) which is manufactured primarily  
7 for use on public streets, roads, and high-  
8 ways (not including a vehicle operated ex-  
9 clusively on a rail or rails),

10 “(iii) which has at least 2 wheels,

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

14 “(v) which is treated as a motor vehi-  
15 cle for purposes of title II of the Clean Air  
16 Act, and

17 “(vi) which has a gross vehicle weight  
18 rating of less than 14,000 pounds.

19 Such term shall not include any vehicle the  
20 final assembly of which did not occur within the  
21 United States.

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

24 “(i) FINAL ASSEMBLY.—For purposes  
25 of subparagraph (D), the term ‘final as-



1           sembly’ means the process by which a  
2           manufacturer produces a vehicle at, or  
3           through the use of, a plant, factory, or  
4           other place from which the vehicle is deliv-  
5           ered to a dealer with all component parts  
6           necessary for the mechanical operation of  
7           the vehicle included with the vehicle,  
8           whether or not the component parts are  
9           permanently installed in or on the vehicle.

10           “(ii) TREATMENT OF REFINANCING.—  
11           Indebtedness described in subparagraph  
12           (B) shall include indebtedness that results  
13           from refinancing any indebtedness de-  
14           scribed in such subparagraph, and that is  
15           secured by a first lien on the applicable  
16           passenger vehicle with respect to which the  
17           refinanced indebtedness was incurred, but  
18           only to the extent the amount of such re-  
19           sulting indebtedness does not exceed the  
20           amount of such refinanced indebtedness.

21           “(iii) RELATED PARTIES.—Indebted-  
22           ness described in subparagraph (B) shall  
23           not include any indebtedness owed to a  
24           person who is related (within the meaning

1 of section 267(b) or 707(b)(1)) to the tax-  
2 payer.”.

3 (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—

4 Section 63(b), as amended by the preceding provisions of  
5 this Act, is amended by striking “and” at the end of para-  
6 graph (5), by striking the period at the end of paragraph  
7 (6) and inserting “and”, and by adding at the end the  
8 following new paragraph:

9 “(7) so much of the deduction allowed by sec-  
10 tion 163(a) as is attributable to the exception under  
11 section 163(h)(4)(A).”.

12 (c) REPORTING.—

13 (1) IN GENERAL.—Subpart B of part III of  
14 subchapter A of chapter 61 is amended by adding at  
15 the end the following new section:

16 **“SEC. 6050AA. RETURNS RELATING TO APPLICABLE PAS-**  
17 **SENGER VEHICLE LOAN INTEREST RECEIVED**  
18 **IN TRADE OR BUSINESS FROM INDIVIDUALS.**

19 “(a) IN GENERAL.—Any person—

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

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

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

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

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

8 “(2) contains—

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

12 “(B) the amount of such interest received  
13 for the calendar year,

14 “(C) the amount of outstanding principal  
15 on the specified passenger vehicle loan as of the  
16 beginning of such calendar year,

17 “(D) the date of the origination of such  
18 loan,

19 “(E) the year, make, model, and vehicle  
20 identification number of the applicable pas-  
21 senger vehicle which secures such loan (or such  
22 other description of such vehicle as the Sec-  
23 retary may prescribe), and

24 “(F) such other information as the Sec-  
25 retary may prescribe.

1       “(c) STATEMENTS TO BE FURNISHED TO INDIVID-  
2       UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
3       QUIRED.—Every person required to make a return under  
4       subsection (a) shall furnish to each individual whose name  
5       is required to be set forth in such return a written state-  
6       ment showing—

7               “(1) the name, address, and phone number of  
8       the information contact of the person required to  
9       make such return, and

10              “(2) the information described in subpara-  
11       graphs (B), (C), (D), and (E) of subsection (b)(2)  
12       with respect to such individual (and such informa-  
13       tion as is described in subsection (b)(2)(F) with re-  
14       spect to such individual as the Secretary may pro-  
15       vide for purposes of this subsection).

16       The written statement required under the preceding sen-  
17       tence shall be furnished on or before January 31 of the  
18       year following the calendar year for which the return  
19       under subsection (a) was required to be made.

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

21              “(1) IN GENERAL.—Terms used in this section  
22       which are also used in paragraph (4) of section  
23       163(h) shall have the same meaning as when used  
24       in such paragraph.

1           “(2) SPECIFIED PASSENGER VEHICLE LOAN.—

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

5           “(e) REGULATIONS.—The Secretary shall issue such  
6           regulations or other guidance as may be necessary or ap-  
7           propriate to carry out the purposes of this section, includ-  
8           ing regulations or other guidance to prevent the duplicate  
9           reporting of information under this section.

10          “(f) APPLICABILITY.—No return shall be required  
11          under this section for any period to which section  
12          163(h)(4) does not apply.”.

13           (2) PENALTIES.—Section 6724(d) is amend-  
14          ed—

15                   (A) in paragraph (1)(B), by striking “or”  
16                   at the end of clause (xxvii), by striking “and”  
17                   at the end of clause (xxviii) and inserting “or”,  
18                   and by adding at the end the following new  
19                   clause:

20                           “(xxix) section 6050AA(a) (relating to  
21                           returns relating to applicable passenger ve-  
22                           hicle loan interest received in trade or  
23                           business from individuals),”, and

24                   (B) in paragraph (2), by striking “or” at  
25                   the end of subparagraph (KK), by striking the

1 period at the end of subparagraph (LL) and in-  
2 serting “, or”, and by inserting after subpara-  
3 graph (LL) the following new subparagraph:

4 “(MM) section 6050AA(c) (relating to  
5 statements relating to applicable passenger ve-  
6 hicle loan interest received in trade or business  
7 from individuals).”.

8 (d) CONFORMING AMENDMENTS.—

9 (1) Section 56(e)(1)(B) is amended by striking  
10 “section 163(h)(4)” and inserting “section  
11 163(h)(5)”.

12 (2) The table of sections for subpart B of part  
13 III of subchapter A of chapter 61 is amended by  
14 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.”.

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

18 **SEC. 70204. TRUMP ACCOUNTS AND CONTRIBUTION PILOT**  
19 **PROGRAM.**

20 (a) TRUMP ACCOUNTS.—

21 (1) IN GENERAL.—Subchapter F of chapter 1  
22 is amended by adding at the end the following new  
23 part:

1                   **“PART IX—TRUMP ACCOUNTS**

“Sec. 530A. Trump accounts.

2           **“SEC. 530A. TRUMP ACCOUNTS.**

3           “(a) GENERAL RULE.—A Trump account shall be ex-  
4       empt from taxation under this subtitle. Notwithstanding  
5       the preceding sentence, such account shall be subject to  
6       the taxes imposed by section 511 (relating to imposition  
7       of tax on unrelated business income of charitable organiza-  
8       tions).

9           “(b) TRUMP ACCOUNT.—For purposes of this sec-  
10      tion—

11           “(1) IN GENERAL.—The term ‘Trump account’  
12      means a trust created or organized in the United  
13      States for the exclusive benefit of an individual and  
14      which is designated (in such manner as the Sec-  
15      retary shall prescribe) at the time of the establish-  
16      ment of the trust as a Trump account, but only if  
17      the written governing instrument creating the trust  
18      meets the following requirements:

19           “(A) The individual establishing the ac-  
20      count shall provide to the trustee the social se-  
21      curity number of such individual and of the ac-  
22      count beneficiary.

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

1 “(i) before January 1, 2026,

2 “(ii) unless it is in cash,

3 “(iii) unless the account beneficiary  
4 has not attained age 18, and

5 “(iv) if such contribution would result  
6 in aggregate contributions for the taxable  
7 year exceeding the contribution limit speci-  
8 fied in subsection (c)(1).

9 “(C) No distribution (other than a dis-  
10 tribution of a qualified rollover contribution)  
11 will be allowed—

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

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

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

24 “(E) The trustee is a bank (as defined in  
25 section 408(n)) or another person who dem-



1           onstrates to the satisfaction of the Secretary  
2           that the manner in which that person will ad-  
3           minister the trust will be consistent with the re-  
4           quirements of this section or who has so dem-  
5           onstrated with respect to any individual retire-  
6           ment plan.

7           “(F) The interest of an individual in the  
8           balance of such individual’s account is non-  
9           forfeitable.

10          “(G) The assets of the trust shall not be  
11          commingled with other property except in a  
12          common trust fund or common investment  
13          fund.

14          “(H) No part of the trust funds will be in-  
15          vested in any asset other than eligible invest-  
16          ments.

17          “(2) ELIGIBLE INVESTMENTS.—The term ‘eligi-  
18          ble investments’ means stock of a regulated invest-  
19          ment company (within the meaning of section 851)  
20          which—

21               “(A) tracks a well-established index of  
22               United States equities (or which invests in an  
23               equivalent diversified portfolio of United States  
24               equities),

25               “(B) does not use leverage,

1 “(C) minimizes fees and expenses, and

2 “(D) meets such other criteria as the Sec-  
3 retary determines appropriate for purposes of  
4 this section.

5 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-  
6 count beneficiary’ means the individual on whose be-  
7 half the Trump account was established.

8 “(c) TREATMENT OF CONTRIBUTIONS.—

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

11 “(2) CONTRIBUTIONS FROM TAX EXEMPT  
12 SOURCES AND ROLLOVER CONTRIBUTIONS.—The  
13 amount contributed to a Trump account for pur-  
14 poses of paragraph (1) shall be determined without  
15 regard to—

16 “(A) a qualified rollover contribution,

17 “(B) any contribution from the Federal  
18 Government or any State, local, or tribal gov-  
19 ernment, or

20 “(C) any contribution made through the  
21 program established under subsection (l).

22 “(3) COST-OF-LIVING ADJUSTMENT.—

23 “(A) IN GENERAL.—In the case of any  
24 taxable year beginning in a calendar year after

1           2026, the \$5,000 amount under paragraph (1)  
2           shall be increased by an amount equal to—

3                   “(i) such dollar amount, multiplied by

4                   “(ii) the cost-of-living adjustment de-  
5                   termined under section 1(f)(3) for the cal-  
6                   endar year, determined by substituting  
7                   ‘calendar year 2025’ for ‘calendar year  
8                   2016’ in subparagraph (A)(ii) thereof.

9                   “(B) ROUNDING.—If any increase under  
10                  subparagraph (A) is not a multiple of \$100,  
11                  such amount shall be rounded to the next lower  
12                  multiple of \$100.

13               “(d) DISTRIBUTIONS.—

14                   “(1) AMOUNTS ALLOCABLE TO INVESTMENT IN  
15                   THE CONTRACT.—A distribution from a Trump ac-  
16                   count of an amount allocable to the investment in  
17                   the contract shall not be includible in the gross in-  
18                   come of the distributee.

19                   “(2) AMOUNTS ALLOCABLE TO INCOME ON THE  
20                   CONTRACT USED FOR QUALIFIED EXPENSES.—A  
21                   distribution from a Trump account of an amount al-  
22                   locable to income on the contract and which is used  
23                   exclusively to pay for qualified expenses shall be in-  
24                   cludible in net capital gain of the distributee under  
25                   section 1(h)(12).

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

5           “(4) QUALIFIED EXPENSES.—For purposes of  
6       this subsection, the term ‘qualified expenses’ means  
7       any of the following expenses paid or incurred for  
8       the benefit of the account beneficiary:

9                   “(A) Qualified higher education expenses  
10               (as defined in section 529(e)(3)) determined  
11               without regard to section 529(c)(7).

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

“(C) Under regulations provided by the Secretary, amounts paid or incurred with respect to any small businesses for which the beneficiary has obtained any small business loan, small farm loan, or similar loan.

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

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

4           “(6) ADDITIONAL TAX ON CERTAIN DISTRIBUTIONS.—In the case of a distributee who has not at-  
5       tained age 30, the tax imposed by this chapter on  
6       the account beneficiary for any taxable year in which  
7       there is a distribution from a Trump account of  
8       such beneficiary which is includible in gross income  
9       under paragraph (3) shall be increased by 10 per-  
10      cent of the amount which is so includible.

12          “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For  
13      purposes of this section, the term ‘qualified rollover con-  
14      tribution’ means an amount which is paid in a direct trust-  
15      ee-to-trustee transfer from a Trump account maintained  
16      for the benefit of the account beneficiary to a Trump ac-  
17      count maintained for such beneficiary.

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

21          “(g) DETERMINATIONS OF AGGREGATE DISTRIBUTIONS AND INVESTMENT IN CONTRACT IN THE CASE OF  
22      CERTAIN ROLLOVER CONTRIBUTIONS.—In the case of a  
23      qualified rollover contribution which is described in sub-  
24      section (e), any determination required under this section  
25

1 of the amount of the investment in the contract or of ag-  
2 gregate distributions from the Trump account shall be de-  
3 termined with respect to the aggregate of such amounts  
4 for all Trump accounts of the same account beneficiary.

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

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

11 “(2) the assets of such account are held by a  
12 bank (as defined in section 408(n)) or another per-  
13 son who demonstrates, to the satisfaction of the Sec-  
14 retary, that the manner in which he will administer  
15 the account will be consistent with the requirements  
16 of this section.

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

21 “(i) TERMINATION.—

22 “(1) AGE 31.—Upon the date on which the ac-  
23 count beneficiary attains age 31, a Trump account  
24 shall cease to be a Trump account and the amount

1 in such account shall be treated as distributed for  
2 purposes of subsection (d).

3 “(2) MULTIPLE ACCOUNTS OF ONE BENE-  
4 FICIARY.—

5 “(A) IN GENERAL.—In the case of any du-  
6 plicate Trump account of any account bene-  
7 ficiary other than a Trump account which is es-  
8 tablished by the deposit through a qualified roll-  
9 over contribution of the entire amount of an-  
10 other Trump account of the account bene-  
11 ficiary—

12 “(i) such duplicate Trump account  
13 shall cease to be a Trump account and the  
14 amount in such account shall be treated as  
15 distributed for purposes of subsection (d),  
16 and

17 “(ii) there is imposed an excise tax on  
18 the account beneficiary in an amount equal  
19 to so much of cash value of the account as  
20 is allocable to income on the contract.

21 “(B) WITHHOLDING REQUIREMENT.—In  
22 the case of an account terminated under sub-  
23 paragraph (A), the trustee shall deduct and  
24 withhold upon the amount to be distributed the

1 amount in excess described in subparagraph  
2 (A)(ii).

3 “(C) NOTIFICATION.—The Secretary, upon  
4 determining that a duplicate account exists,  
5 shall provide a notice to the account beneficiary  
6 of such duplicate account (and the account cus-  
7 todian, in the case of a custodial account) and  
8 to each trustee of any Trump account of the ac-  
9 count beneficiary of such duplicate account  
10 which identifies each Trump account of such  
11 beneficiary and the trustee of each such ac-  
12 count.

13 “(D) DUPLICATE ACCOUNT.—For purposes  
14 of this paragraph, the term ‘duplicate account’  
15 means—

16 “(i) in the case of an account bene-  
17 ficiary for the benefit of whom an account  
18 was established by the Secretary under  
19 section 6434, any other Trump account of  
20 such account beneficiary, or

21 “(ii) in the case of any other account  
22 beneficiary, any Trump account established  
23 after the first Trump account established  
24 for the benefit of such account beneficiary.



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

8       “(k) REPORTS.—The trustee of a Trump account  
9 shall make such reports regarding such account to the  
10 Secretary and to the beneficiary of the account with re-  
11 spect to contributions, distributions, the amount of invest-  
12 ment in the contract, and such other matters as the Sec-  
13 retary may require. The reports required by this sub-  
14 section shall be filed at such time and in such manner  
15 and furnished to such individuals at such time and in such  
16 manner as may be required by the Secretary.

17       “(l) CONTRIBUTIONS TO PREDOMINATELY UNRE-  
18 LATED CHILDREN.—The Secretary shall establish a pro-  
19 gram through which contributions may be made to the  
20 Trump accounts of a large group of account beneficiaries  
21 if—

22               “(1) the contribution is made by any organiza-  
23 tion described in any paragraph of section 501(c)  
24 and exempt from taxation under section 501(a),

1           “(2) such accounts are selected on the basis of  
2           the location of the residence of the account bene-  
3           ficiaries, the school district in which such bene-  
4           ficiaries attend school, or another basis the Sec-  
5           retary determines appropriate, and

6           “(3) all individuals who are account bene-  
7           ficiaries of such an account who meet the selected  
8           criteria receive an equal portion of the contribu-  
9           tion.”.

10           (2) DISTRIBUTION TAXED AT SAME RATE AS  
11           NET CAPITAL GAINS.—Section 1(h) is amended by  
12           adding at the end the following new paragraph:

13           “(12) DISTRIBUTIONS FROM TRUMP ACCOUNT  
14           TAXED AS NET CAPITAL GAIN.—For purposes of this  
15           subsection, the term ‘net capital gain’ means the net  
16           capital gain (determined without regard to this para-  
17           graph) increased by the amount includible in net  
18           capital gain under this paragraph by reason of sec-  
19           tion 530A(d)(2).”.

20           (3) TAX ON EXCESS CONTRIBUTIONS.—

21           (A) IN GENERAL.—Section 4973(a) is  
22           amended by striking “or” at the end of para-  
23           graph (5), by inserting “or” at the end of para-  
24           graph (6), and by inserting after paragraph (6)  
25           the following new paragraph:

1           “(7) a Trump account (as defined in section  
2       530A(b)),”.

3           (B)   EXCESS   CONTRIBUTION.—Section  
4       4973 is amended by adding at the end the fol-  
5       lowing new subsection:

6       “(i) EXCESS CONTRIBUTIONS TO A TRUMP AC-  
7   COUNT.—For purposes of this section, in the case of  
8   Trump accounts (within the meaning of section 530A), the  
9   term ‘excess contributions’ means the sum of—

10       “(1) the amount by which the amount contrib-  
11       uted for the calendar year to such account (other  
12       than qualified rollover contributions (as defined in  
13       section 530A(e))) exceeds the contribution limit  
14       under section 530A(c)(1) (determined without re-  
15       gard to contributions described in section  
16       530A(c)(2)), and

17       “(2) the amount determined under this sub-  
18       section for the preceding calendar year, reduced by  
19       the excess (if any) of the maximum amount allow-  
20       able as a contribution under section 530A(c)(1) (as  
21       so determined) for the calendar year over the  
22       amount contributed to the account for the calendar  
23       year (other than qualified rollover contributions (as  
24       so defined)).”.

1           (4) DISCLOSURE OF RETURN INFORMATION TO  
2       FACILITATE     CERTAIN     CONTRIBUTIONS.—Section  
3       6103(l) is amended by adding at the end the fol-  
4       lowing new paragraph:

5           “(23) DISCLOSURE OF RETURN INFORMATION  
6       TO ENABLE CERTAIN CONTRIBUTIONS TO TRUMP AC-  
7       COUNTS.—Upon written request signed by the head  
8       of the bureau or office of the Department of the  
9       Treasury requesting the inspection or disclosure, the  
10      Secretary may disclose the following return informa-  
11      tion with respect to a Trump account (as defined in  
12      section 530A(b)) to officers and employees of such  
13      bureau or office to the extent that such disclosure is  
14      necessary to carry out section 530A(l):

15           “(A) Information necessary to identify the  
16      account holders in a particular class of bene-  
17      ficiaries identified by a donor as the intended  
18      recipients.

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

21           “(C) The account custodian and the ad-  
22      dress of such custodian.

23           “(D) The account number.

24           “(E) The routing number.

1           “(F) To the extent determined by the Sec-  
2           retary in regulations, such other return infor-  
3           mation as the Secretary determines necessary  
4           to ensure proper routing of funds.

5           Return information disclosed under this paragraph  
6           may only be used to identify account holders in a  
7           particular class of beneficiaries or for the proper  
8           routing of funds and may not be redisclosed by the  
9           Secretary.”.

10           (5) FAILURE TO PROVIDE REPORTS ON TRUMP  
11           ACCOUNTS.—Section 6693(a)(2) is amended by  
12           striking “and” at the end of subparagraph (E), by  
13           striking the period at the end of subparagraph (F)  
14           and inserting “, and”, and by inserting after sub-  
15           paragraph (F) the following new subparagraph:

16                   “(G) section 530A(h) (relating to Trump  
17           accounts).”.

18           (6) CONFORMING AMENDMENT.—The table of  
19           parts for subchapter F of chapter 1 is amended by  
20           adding at the end the following new item:

                  “PART IX—TRUMP ACCOUNTS”.

21           (7) EFFECTIVE DATE.—The amendments made  
22           by this subsection shall apply to taxable years begin-  
23           ning after December 31, 2024.

24           (b) TRUMP ACCOUNTS CONTRIBUTION PILOT PRO-  
25           GRAM.—

1           (1) IN GENERAL.—Subchapter B of chapter 65  
2           is amended by adding at the end the following new  
3           section:

4   **“SEC. 6434. TRUMP ACCOUNTS CONTRIBUTION PILOT PRO-**  
5                           **GRAM.**

6           “(a) IN GENERAL.—In the case of any taxpayer with  
7   respect to whom an eligible individual is a qualifying child,  
8   there shall be allowed a one-time credit of \$1,000 with  
9   respect to each such eligible individual who is a qualifying  
10   child of such taxpayer which shall be payable by the Sec-  
11   retary only to the Trump account with respect to which  
12   such eligible individual is the account beneficiary.

13          “(b) ACCOUNT ESTABLISHED BY SECRETARY.—

14               “(1) IN GENERAL.—In the case of any eligible  
15   individual that the Secretary determines is not the  
16   account beneficiary of any Trump account as of the  
17   qualifying date of such eligible individual, the Sec-  
18   retary shall establish an account for the benefit of  
19   such eligible individual.

20               “(2) QUALIFYING DATE.—For purposes of  
21   paragraph (1), the term ‘qualifying date’ means,  
22   with respect to an eligible individual, the first date  
23   on which a return of tax is filed by an individual  
24   with respect to whom such eligible individual is a

1       qualifying child with respect to the taxable year to  
2       which such return relates.

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

7               “(A) notify any individual with respect to  
8       whom such eligible individual is a qualifying  
9       child for the taxable year described in para-  
10      graph (2) of the establishment of such account,  
11      and

12              “(B) shall provide an opportunity to such  
13      individual to elect to decline the application of  
14      this subsection to such qualifying child.

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

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

21              “(B) the customer service experience of  
22      such trustee,

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

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

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

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

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

11          “(d) SOCIAL SECURITY NUMBER REQUIRED.—

12          “(1) IN GENERAL.—No credit shall be allowed  
13          under subsection (a) to a taxpayer unless such tax-  
14          payer includes on the return of tax for the taxable  
15          year—

16          “(A) such individual’s social security num-  
17          ber,

18          “(B) if such individual is married, the so-  
19          cial security number of such individual’s spouse,  
20          and

21          “(C) the social security number of the eli-  
22          gible individual with respect to whom such cred-  
23          it is allowed.

24          “(2) SOCIAL SECURITY NUMBER DEFINED.—

25          For purposes of paragraph (1), the term ‘social se-



1       curity number’ shall have the meaning given such  
2       term in section 24(h)(7).

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

4               “(1) QUALIFYING CHILD.—The term qualifying  
5       child has the meaning given such term in section  
6       152(c).

7               “(2) TRUMP ACCOUNT; ACCOUNT BENE-  
8       FICIARY.—The terms ‘Trump account’ and ‘account  
9       beneficiary’ have the meaning given such terms in  
10      section 530A(b).”.

11              (2) PENALTY FOR NEGLIGENT CLAIM OR  
12      FRAUDULENT CLAIM.—Part I of subchapter A of  
13      chapter 68 is amended by adding at the end the fol-  
14      lowing new section:

15   **“SEC. 6659. IMPROPER CLAIM FOR TRUMP ACCOUNT CON-**  
16                   **TRIBUTION PILOT PROGRAM CREDIT.**

17       “(a) IN GENERAL.—In the case of any taxpayer that  
18      makes an excessive claim for a credit under section  
19      6434—

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

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

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

4           (3) OMISSION OF CORRECT SOCIAL SECURITY  
5       NUMBER TREATED MATHEMATICAL OR CLERICAL  
6       ERROR.—Section 6213(g)(2), as amended by the  
7       preceding provisions of this Act, is amended by  
8       striking “and” at the end of subparagraph (Y), by  
9       striking the period at the end of subparagraph (Z)  
10      and inserting “, and”, and by inserting after sub-  
11      paragraph (Z) the following new subparagraph:

12           “(AA) an omission of a correct social secu-  
13      rity number required under section 6434(d)(1)  
14      (relating to the Trump accounts contribution  
15      pilot program).”.

16           (4) CLERICAL AMENDMENTS.—

17           (A) The table of sections for subchapter B  
18      of chapter 65 is amended by adding at the end  
19      the following new item:

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

20           (B) The table of sections for part I of sub-  
21      chapter A of chapter 68 is amended by insert-  
22      ing after the item relating to section 6658 the  
23      following new item:

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

1 (5) EFFECTIVE DATE.—The amendments made  
2 by this subsection shall apply to taxable years begin-  
3 ning after December 31, 2024.

4 **SEC. 70205. TAX TREATMENT OF CERTAIN INTERNATIONAL**  
5 **ENTREPRENEURS.**

6 **[Reserved]**

7 **CHAPTER 3—ESTABLISHING CERTAINTY**  
8 **AND COMPETITIVENESS FOR AMER-**  
9 **ICAN JOB CREATORS**

10 **Subchapter A—Permanent U.S. Business Tax**  
11 **Reform and Boosting Domestic Investment**

12 **SEC. 70301. FULL EXPENSING FOR CERTAIN BUSINESS**  
13 **PROPERTY.**

14 (a) MADE PERMANENT.—

15 (1) IN GENERAL.—Section 168(k)(2)(A) is  
16 amended by adding “and” at the end of clause (i),  
17 by striking “and” at the end of clause (ii) and in-  
18 serting a period, and by striking clause (iii).

19 (2) PROPERTY WITH LONGER PRODUCTION PE-  
20 RIODS.—Section 168(k)(2)(B) is amended—

21 (A) in clause (i), by striking subclauses  
22 (II) and (III) and redesignating subclauses  
23 (IV), (V), and (VI), as subclauses (II), (III),  
24 and (IV), respectively, and

1 (B) by striking clause (ii) and redesign-  
2 nating clauses (iii) and (iv) as clauses (ii) and  
3 (iii), respectively.

4 (3) SELF-CONSTRUCTED PROPERTY.—Section  
5 168(k)(2)(E) is amended by striking clause (i) and  
6 redesignating clauses (ii) and (iii) as clauses (i) and  
7 (ii), respectively.

8 (4) CERTAIN PLANTS.—Section 168(k)(5)(A) is  
9 amended by striking “planted before January 1,  
10 2027, or is grafted before such date to a plant that  
11 has already been planted,” in the matter preceding  
12 clause (i) and inserting “planted or grafted”.

13 (5) CONFORMING AMENDMENTS.—

14 (A) Section 168(k)(2)(A)(ii) is amended by  
15 striking “clause (ii) of subparagraph (E)” and  
16 inserting “clause (i) of subparagraph (E)”.

17 (B) Section 168(k)(2)(C)(i) is amended by  
18 striking “and subclauses (II) and (III) of sub-  
19 paragraph (B)(i)”.

20 (C) Section 168(k)(2)(C)(ii) is amended by  
21 striking “subparagraph (B)(iii)” and inserting  
22 “subparagraph (B)(ii)”.

23 (D) Section 460(c)(6)(B) is amended by  
24 striking “which” and all that follows through

1 the period and inserting “which has a recovery  
2 period of 7 years or less.”.

3 (b) 100 PERCENT EXPENSING.—

4 (1) IN GENERAL.—Section 168(k) is amend-  
5 ed—

6 (A) in paragraph (1)(A), by striking “the  
7 applicable percentage” and inserting “100 per-  
8 cent”, and

9 (B) by striking paragraphs (6) and (8).

10 (2) CERTAIN PLANTS.—Section 168(k)(5)(A)(i)  
11 is amended by striking “the applicable percentage”  
12 and inserting “100 percent”.

13 (3) TRANSITIONAL ELECTION OF REDUCED  
14 PERCENTAGE.—Section 168(k)(10) is amended by  
15 striking subparagraph (A), by redesignating sub-  
16 paragraph (B) as subparagraph (C), and by insert-  
17 ing before subparagraph (C) (as so redesignated) the  
18 following new subparagraphs:

19 “(A) IN GENERAL.—In the case of quali-  
20 fied property placed in service by the taxpayer  
21 during the first taxable year ending after Janu-  
22 ary 19, 2025, if the taxpayer elects to have this  
23 paragraph apply for such taxable year, para-  
24 graph (1)(A) shall be applied—

1 “(i) in the case of property which is  
2 not described in clause (ii), by substituting  
3 ‘40 percent’ for ‘100 percent’, or

4 “(ii) in the case of property which is  
5 described in subparagraph (B) or (C) of  
6 paragraph (2), by substituting ‘60 percent’  
7 for ‘100 percent’.

8 “(B) SPECIFIED PLANTS.—In the case of  
9 any specified plant planted or grafted by the  
10 taxpayer during the first taxable year ending  
11 after January 19, 2025, if the taxpayer elects  
12 to have this paragraph apply for such taxable  
13 year, paragraph (5)(A)(i) shall be applied by  
14 substituting ‘40 percent’ for ‘100 percent’.”.

15 (c) EFFECTIVE DATE.—

16 (1) IN GENERAL.—Except as otherwise pro-  
17 vided in this subsection, the amendments made by  
18 this section shall apply to property acquired after  
19 January 19, 2025.

20 (2) SPECIFIED PLANTS.—Except as provided in  
21 paragraph (3), in the case of any specified plant (as  
22 defined in section 168(k)(5)(B) of the Internal Rev-  
23 enue Code of 1986, as amended by this section), the  
24 amendments made by this section shall apply to

1       such plants which are planted or grafted after Janu-  
2       ary 19, 2025.

3           (3) TRANSITIONAL ELECTION OF REDUCED  
4       PERCENTAGE.—The amendment made by subsection  
5       (b)(3) shall apply to taxable years ending after Jan-  
6       uary 19, 2025.

7           (4) ACQUISITION DATE DETERMINATION.—For  
8       purposes of paragraph (1), property shall not be  
9       treated as acquired after the date on which a written  
10      binding contract is entered into for such acquisition.

11 **SEC. 70302. FULL EXPENSING OF DOMESTIC RESEARCH**  
12 **AND EXPERIMENTAL EXPENDITURES.**

13       (a) IN GENERAL.—Part VI of subchapter B of chap-  
14      ter 1 is amended by inserting after section 174 the fol-  
15      lowing new section:

16 **“SEC. 174A. DOMESTIC RESEARCH OR EXPERIMENTAL EX-**  
17 **PENDITURES.**

18       “(a) TREATMENT AS EXPENSES.—Notwithstanding  
19      section 263, there shall be allowed as a deduction any do-  
20      mestic research or experimental expenditures which are  
21      paid or incurred by the taxpayer during the taxable year.

22       “(b) DOMESTIC RESEARCH OR EXPERIMENTAL EX-  
23      PENDITURES.—For purposes of this section, the term ‘do-  
24      mestic research or experimental expenditures’ means re-  
25      search or experimental expenditures paid or incurred by

1 the taxpayer in connection with the taxpayer's trade or  
2 business other than such expenditures which are attrib-  
3 utable to foreign research (within the meaning of section  
4 41(d)(4)(F)).

5 “(c) AMORTIZATION OF CERTAIN DOMESTIC RE-  
6 SEARCH OR EXPERIMENTAL EXPENDITURES.—

7 “(1) IN GENERAL.—At the election of the tax-  
8 payer, made in accordance with regulations or other  
9 guidance provided by the Secretary, in the case of  
10 domestic research or experimental expenditures  
11 which would (but for subsection (a)) be chargeable  
12 to capital account but not chargeable to property of  
13 a character which is subject to the allowance under  
14 section 167 (relating to allowance for depreciation,  
15 etc.) or section 611 (relating to allowance for deple-  
16 tion), subsection (a) shall not apply and the tax-  
17 payer shall—

18 “(A) charge such expenditures to capital  
19 account, and

20 “(B) be allowed an amortization deduction  
21 of such expenditures ratably over such period of  
22 not less than 60 months as may be selected by  
23 the taxpayer (beginning with the month in  
24 which the taxpayer first realizes benefits from  
25 such expenditures).



1           “(2) TIME FOR AND SCOPE OF ELECTION.—The  
2           election provided by paragraph (1) may be made for  
3           any taxable year, but only if made not later than the  
4           time prescribed by law for filing the return for such  
5           taxable year (including extensions thereof). The  
6           method so elected, and the period selected by the  
7           taxpayer, shall be adhered to in computing taxable  
8           income for the taxable year for which the election is  
9           made and for all subsequent taxable years unless,  
10          with the approval of the Secretary, a change to a  
11          different method (or to a different period) is author-  
12          ized with respect to part or all of such expenditures.  
13          The election shall not apply to any expenditure paid  
14          or incurred during any taxable year before the tax-  
15          able year for which the taxpayer makes the election.

16          “(d) SPECIAL RULES.—

17               “(1) LAND AND OTHER PROPERTY.—This sec-  
18               tion shall not apply to any expenditure for the acqui-  
19               sition or improvement of land, or for the acquisition  
20               or improvement of property to be used in connection  
21               with the research or experimentation and of a char-  
22               acter which is subject to the allowance under section  
23               167 (relating to allowance for depreciation, etc.) or  
24               section 611 (relating to allowance for depletion); but  
25               for purposes of this section allowances under section

1       167, and allowances under section 611, shall be con-  
2       sidered as expenditures.

3           “(2) EXPLORATION EXPENDITURES.—This sec-  
4       tion shall not apply to any expenditure paid or in-  
5       curred for the purpose of ascertaining the existence,  
6       location, extent, or quality of any deposit of ore or  
7       other mineral (including oil and gas).

8           “(3) SOFTWARE DEVELOPMENT.—For purposes  
9       of this section, any amount paid or incurred in con-  
10      nection with the development of any software shall  
11      be treated as a research or experimental expendi-  
12      ture.”.

13      (b) COORDINATION WITH CERTAIN OTHER PROVI-  
14      SIONS.—

15           (1) FOREIGN RESEARCH EXPENSES.—Section  
16      174 is amended—

17           (A) in subsection (a)—

18           (i) by striking “a taxpayer’s specified  
19       research or experimental expenditures”  
20       and inserting “a taxpayer’s foreign re-  
21       search or experimental expenditures”, and

22           (ii) by striking “over the 5-year period  
23       (15-year period in the case of any specified  
24       research or experimental expenditures  
25       which are attributable to foreign research

1 (within the meaning of section  
2 41(d)(4)(F)))” in paragraph (2)(B) and  
3 inserting “over the 15-year period”,

4 (B) in subsection (b)—

5 (i) by striking “specified research”  
6 and inserting “foreign research”,

7 (ii) by inserting “and which are at-  
8 tributable to foreign research (within the  
9 meaning of section 41(d)(4)(F))” before  
10 the period at the end, and

11 (iii) by striking “SPECIFIED” in the  
12 heading thereof and inserting “FOREIGN”,  
13 and

14 (C) in subsection (d)—

15 (i) by striking “specified research or  
16 experimental expenditures” and inserting  
17 “foreign research or experimental expendi-  
18 tures”, and

19 (ii) by inserting “or reduction to  
20 amount realized” after “no deduction”.

21 (2) RESEARCH CREDIT.—

22 (A) Section 41(d)(1)(A) is amended to  
23 read as follows:

1           “(A) with respect to which expenditures  
2           are treated as domestic research or experi-  
3           mental expenditures under section 174A,”.

4           (B) Section 280C(c)(1) is amended to read  
5           as follows:

6           “(1) IN GENERAL.—The domestic research or  
7           experimental expenditures otherwise taken into ac-  
8           count under section 174A shall be reduced by the  
9           amount of the credit allowed under section 41(a).”.

10          (3) AMT ADJUSTMENT.—Section 56(b)(2) is  
11          amended—

12               (A) in subparagraph (A)—

13                   (i) by striking “or 174(a)” in the  
14                   matter preceding clause (i) and inserting  
15                   “, 174(a), or 174A(a)”, and

16                   (ii) by striking “research and experi-  
17                   mental expenditures described in section  
18                   174(a)” in clause (ii) thereof and inserting  
19                   “research or experimental expenditures de-  
20                   scribed in section 174(a) or 174A(a)”, and

21               (B) in subparagraph (C), by inserting “or  
22               174A(a)” after “174(a)”.

23          (4) OPTIONAL 10-YEAR WRITEOFF.—Section  
24          59(e)(2)(B) is amended by striking “section 174(a)  
25          (relating to research and experimental expendi-

1       tures)” and inserting “section 174A(a) (relating to  
2       domestic research or experimental expenditures)”.

3           (5) QUALIFIED SMALL ISSUE BONDS.—Section  
4       144(a)(4)(C)(iv) is amended by striking “174(a)”  
5       and inserting “174A(a)”.

6           (6) START-UP EXPENDITURES.—Section  
7       195(c)(1) is amended by striking “or 174” in the  
8       last sentence and inserting “174, or 174A”.

9           (7) CAPITAL EXPENDITURES.—

10           (A) Section 263(a)(1)(B) is amended by  
11       inserting “or 174A” after “174”.

12           (B) Section 263A(c)(2) is amended by in-  
13       serting “or 174A” after “174”.

14           (8) ACTIVE BUSINESS COMPUTER SOFTWARE  
15       ROYALTIES.—Section 543(d)(4)(A)(i) is amended by  
16       inserting “174A,” after “174,”.

17           (9) SOURCE RULES.—Section 864(g)(2) is  
18       amended—

19           (A) by striking “research and experimental  
20       expenditures within the meaning of section  
21       174” in the first sentence and inserting “for-  
22       eign research or experimental expenditures  
23       within the meaning of section 174 or domestic  
24       research or experimental expenditures within  
25       the meaning of section 174A”, and

1 (B) in the last sentence—

2 (i) by striking “treated as deferred ex-  
3 penses under subsection (b) of section  
4 174” and inserting “allowed as an amorti-  
5 zation deduction under section 174(a) or  
6 section 174A(c),”, and

7 (ii) by striking “such subsection” and  
8 inserting “such section (as the case may  
9 be)”.

10 (10) BASIS ADJUSTMENT.—Section  
11 1016(a)(14) is amended by striking “deductions as  
12 deferred expenses under section 174(b)(1) (relating  
13 to research and experimental expenditures)” and in-  
14 serting “deductions under section 174 or 174A(c)”.

15 (11) SMALL BUSINESS STOCK.—Section  
16 1202(e)(2)(B) is amended by striking “which may  
17 be treated as research and experimental expendi-  
18 tures under section 174” and inserting “which are  
19 treated as foreign research or experimental expendi-  
20 tures under section 174 or domestic research or ex-  
21 perimental expenditures under section 174A”.

22 (c) CHANGE IN METHOD OF ACCOUNTING.—

23 (1) IN GENERAL.—The amendments made by  
24 subsection (a) shall be treated as a change in meth-

1       od of accounting for purposes of section 481 of the  
2       Internal Revenue Code of 1986 and—

3               (A) such change shall be treated as initi-  
4       ated by the taxpayer,

5               (B) such change shall be treated as made  
6       with the consent of the Secretary, and

7               (C) such change shall be applied only on a  
8       cut-off basis for any domestic research or ex-  
9       perimental expenditures (as defined in section  
10       174A(b) of such Code (as added by this sec-  
11       tion) and determined by applying the rules of  
12       section 174A(d) of such Code) paid or incurred  
13       in taxable years beginning after December 31,  
14       2024, and no adjustments under section 481(a)  
15       shall be made.

16       (2) SPECIAL RULES.—In the case of a taxable  
17       year which begins after December 31, 2024, and  
18       ends before the date of the enactment of this Act—

19               (A) paragraph (1)(C) shall not apply, and

20               (B) the change in method of accounting  
21       under paragraph (1) shall be applied on a modi-  
22       fied cut-off basis, taking into account for pur-  
23       poses of section 481(a) of such Code only the  
24       domestic research or experimental expenditures  
25       (as defined in section 174A(b) of such Code (as

1           added by this section) and determined by apply-  
2           ing the rules of section 174A(d) of such Code)  
3           paid or incurred in such taxable year but not  
4           allowed as a deduction in such taxable year.

5           (d) CLERICAL AMENDMENT.—The table of sections  
6 for part VI of subchapter B of chapter 1 is amended by  
7 inserting after the item relating to section 174 the fol-  
8 lowing new item:

“Sec. 174A. Domestic research or experimental expenditures.”.

9           (e) EFFECTIVE DATE.—

10           (1) IN GENERAL.—Except as otherwise pro-  
11 vided in this subsection or subsection (f)(1), the  
12 amendments made by this section shall apply to  
13 amounts paid or incurred in taxable years beginning  
14 after December 31, 2024.

15           (2) TREATMENT OF FOREIGN RESEARCH OR  
16 EXPERIMENTAL EXPENDITURES UPON DISPOSI-  
17 TION.—

18           (A) IN GENERAL.—The amendment by  
19 subsection (b)(1)(C)(ii) shall apply to property  
20 disposed, retired, or abandoned after May 12,  
21 2025.

22           (B) NO INFERENCE.—The amendment  
23 made by subsection (b)(1)(C)(ii) shall not be  
24 construed to create any inference with respect  
25 to the proper application of section 174(d) of



1 the Internal Revenue Code of 1986 with respect  
2 to taxable years beginning before May 13,  
3 2025.

4 (3) COORDINATION WITH RESEARCH CREDIT.—  
5 The amendment made by subsection (b)(2)(B) shall  
6 apply to taxable years beginning after December 31,  
7 2024.

8 (4) NO INFERENCE WITH RESPECT TO COORDI-  
9 NATION WITH RESEARCH CREDIT FOR PRIOR PERI-  
10 ODS.—The amendment made by subsection  
11 (b)(2)(B) shall not be construed to create any infer-  
12 ence with respect to the proper application of section  
13 280C(c) of the Internal Revenue Code of 1986 with  
14 respect to taxable years beginning before January 1,  
15 2025.

16 (f) TRANSITION RULES.—

17 (1) ELECTION FOR RETROACTIVE APPLICATION  
18 BY CERTAIN SMALL BUSINESSES.—

19 (A) IN GENERAL.—At the election of an el-  
20 igible taxpayer, paragraphs (1) and (3) of sub-  
21 section (e) shall each be applied by substituting  
22 “December 31, 2021” for “December 31,  
23 2024”. An election made under this subpara-  
24 graph shall be made in such manner as the Sec-  
25 retary may provide and not later than the date

1           that is 1 year after the date of the enactment  
2           of this Act. The taxpayer shall file an amended  
3           return for each taxable year affected by such  
4           election.

5           (B) ELIGIBLE TAXPAYER.—For purposes  
6           of this paragraph, the term “eligible taxpayer”  
7           means any taxpayer (other than a tax shelter  
8           prohibited from using the cash receipts and dis-  
9           bursements method of accounting under section  
10          448(a)(3)) which meets the gross receipts test  
11          of section 448(c) for the first taxable year be-  
12          ginning after December 31, 2024.

13          (C) ELECTION TREATED AS CHANGE IN  
14          METHOD OF ACCOUNTING.—In the case of any  
15          taxpayer which elects the application of sub-  
16          paragraph (A)—

17                 (i) such election may be treated as a  
18                 change in method of accounting for pur-  
19                 poses of section 481 of such Code for the  
20                 taxpayer’s first taxable year affected by  
21                 such election,

22                 (ii) such change shall be treated as  
23                 initiated by the taxpayer for such taxable  
24                 year,

1 (iii) such change shall be treated as  
2 made with the consent of the Secretary,  
3 and

4 (iv) subsection (c) shall not apply to  
5 such taxpayer.

6 (D) ELECTION REGARDING COORDINATION  
7 WITH RESEARCH CREDIT.—An election under  
8 section 280C(c)(2) of the Internal Revenue  
9 Code of 1986 (or revocation of such election)  
10 for any taxable year beginning after December  
11 31, 2021, by an eligible taxpayer making an  
12 election under subparagraph (A) shall not fail  
13 to be treated as timely made (or as made on the  
14 return) if made during the 1-year period begin-  
15 ning on the date of the enactment of this Act  
16 on an amended return for such taxable year.

17 (2) ELECTION TO DEDUCT CERTAIN  
18 UNAMORTIZED AMOUNTS PAID OR INCURRED IN  
19 TAXABLE YEARS BEGINNING BEFORE JANUARY 1,  
20 2025.—

21 (A) IN GENERAL.—In the case of any do-  
22 mestic research or experimental expenditures  
23 (as defined in section 174A, as added by sub-  
24 section (a)) which are paid or incurred after  
25 December 31, 2021, and before January 1,

2025, and which was charged to capital ac-  
count, a taxpayer may elect—

(i) to deduct any remaining unamortized amount with respect to such expenditures in the first taxable year beginning after December 31, 2024, or

(ii) to deduct such remaining unamortized amount with respect to such expenditures ratably over the 2-taxable year period beginning with the first taxable year beginning after December 31, 2024.

(B) CHANGE IN METHOD OF ACCOUNTING.—In the case of a taxpayer who makes an election under this paragraph—

(i) such taxpayer shall be treated as initiating a change in method of accounting for purposes of section 481 of the Internal Revenue Code of 1986 with respect to the expenditures to which the election applies,

(ii) such change shall be treated as made with the consent of the Secretary, and

(iii) such change shall be applied only  
on a cut-off basis for such expenditures

1 and no adjustments under section 481(a)  
2 shall be made.

3 (C) REGULATIONS.—The Secretary of the  
4 Treasury (or the Secretary’s delegate) shall  
5 publish such guidance or regulations as may be  
6 necessary to carry out the purposes of this  
7 paragraph, including regulations or guidance al-  
8 lowing for the deduction allowed under subpara-  
9 graph (A) in the case of taxpayers with taxable  
10 years beginning after December 31, 2024, and  
11 ending before the date of the enactment of this  
12 Act.

13 **SEC. 70303. MODIFICATION OF LIMITATION ON BUSINESS**  
14 **INTEREST.**

15 (a) IN GENERAL.—Section 163(j)(8)(A)(v) is amend-  
16 ed by striking “in the case of taxable years beginning be-  
17 fore January 1, 2022,”.

18 (b) FLOOR PLAN FINANCING APPLICABLE TO CER-  
19 TAIN TRAILERS AND CAMPERS.—Section 163(j)(9)(C) is  
20 amended by adding at the end the following new flush sen-  
21 tence:

22 “Such term shall also include any trailer or  
23 camper which is designed to provide temporary  
24 living quarters for recreational, camping, or

1 seasonal use and is designed to be towed by, or  
2 affixed to, a motor vehicle.”.

3 (c) EFFECTIVE DATE AND SPECIAL RULE.—

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

7 (2) SPECIAL RULE FOR SHORT TAXABLE  
8 YEARS.—The Secretary of the Treasury (or the Sec-  
9 retary’s delegate) may prescribe such rules as are  
10 necessary or appropriate to provide for the applica-  
11 tion of the amendments made by this section in the  
12 case of any taxable year of less than 12 months that  
13 begins after December 31, 2024, and ends before  
14 the date of the enactment of this Act.

15 **SEC. 70304. EXTENSION AND ENHANCEMENT OF PAID FAM-**  
16 **ILY AND MEDICAL LEAVE CREDIT.**

17 (a) IN GENERAL.—Section 45S is amended—

18 (1) in subsection (a)—

19 (A) by striking paragraph (1) and insert-  
20 ing the following:

21 “(1) IN GENERAL.—For purposes of section 38,  
22 in the case of an eligible employer, the paid family  
23 and medical leave credit is an amount equal to ei-  
24 ther of the following (as elected by such employer):

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

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

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

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

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

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

1 “(3) AGGREGATION RULE.—

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

7 “(B) EXCEPTION.—

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

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



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

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

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

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

17                   (B) in paragraph (2)—

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

21                           (ii) by striking the period at the end  
22                           and inserting “, and”, and

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

24                   “(3) is customarily employed for not less than  
25                   20 hours per week.”, and

1 (5) by striking subsection (i).

2 (b) NO DOUBLE BENEFIT.—Section 280C(a) is  
3 amended—

4 (1) by striking “45S(a)” and inserting  
5 “45S(a)(1)(A)”, and

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

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

15 **SEC. 70305. EXCEPTIONS FROM LIMITATIONS ON DEDUC-**  
16 **TION FOR BUSINESS MEALS.**

17 (a) EXCEPTION TO DENIAL OF DEDUCTION FOR  
18 BUSINESS MEALS.—Section 274(o), as added by section  
19 13304 of Public Law 115-97, is amended by striking “No  
20 deduction” and inserting “Except in the case of an ex-  
21 pense described in subsection (e)(8) or (n)(2)(C), no de-  
22 duction”.

23 (b) MEALS PROVIDED ON CERTAIN FISHING BOATS  
24 AND AT CERTAIN FISH PROCESSING FACILITIES NOT  
25 SUBJECT TO 50 PERCENT LIMITATION.—Section

1 274(n)(2)(C) of the Internal Revenue Code of 1986 is  
2 amended by striking “or” at the end of clause (iii) and  
3 by adding at the end the following new clause:

4 “(v) provided—

5 “(I) on a fishing vessel, fish proc-  
6 essing vessel, or fish tender vessel (as  
7 such terms are defined in section  
8 2101 of title 46, United States Code),  
9 or

10 “(II) at a facility for the proc-  
11 essing of fish for commercial use or  
12 consumption which—

13 “(aa) is located in the  
14 United States north of 50 de-  
15 grees north latitude, and

16 “(bb) is not located in a  
17 metropolitan statistical area  
18 (within the meaning of section  
19 143(k)(2)(B)), or”.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to amounts paid or incurred after  
22 December 31, 2025.

1 **SEC. 70306. INCREASED DOLLAR LIMITATIONS FOR EX-**  
2 **PENSING OF CERTAIN DEPRECIABLE BUSI-**  
3 **NESS ASSETS.**

4 (a) IN GENERAL.—Section 179(b) is amended—

5 (1) in paragraph (1), by striking “\$1,000,000”  
6 and inserting “\$2,500,000”, and

7 (2) in paragraph (2), by striking “\$2,500,000”  
8 and inserting “\$4,000,000”.

9 (b) CONFORMING AMENDMENTS.—Section  
10 179(b)(6)(A) is amended—

11 (1) by inserting “(2025 in the case of the dollar  
12 amounts in paragraphs (1) and (2))” after “In the  
13 case of any taxable year beginning after 2018”, and

14 (2) in clause (ii), by striking “determined by  
15 substituting ‘calendar year 2017’ for ‘calendar year  
16 2016’ in subparagraph (A)(ii) thereof.” and insert-  
17 ing “determined by substituting in subparagraph  
18 (A)(ii) thereof— “

19 “(I) in the case of amounts in  
20 paragraphs (1) and (2), ‘calendar year  
21 2024’ for ‘calendar year 2016’, and

22 “(II) in the case of the amount  
23 in paragraph (5)(A), ‘calendar year  
24 2017’ for ‘calendar year 2016’.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service in  
3 taxable years beginning after December 31, 2024.

4 **SEC. 70307. SPECIAL DEPRECIATION ALLOWANCE FOR**  
5 **QUALIFIED PRODUCTION PROPERTY.**

6       (a) IN GENERAL.—Section 168 is amended by adding  
7 at the end the following new subsection:

8       “(n) SPECIAL ALLOWANCE FOR QUALIFIED PRODUC-  
9 TION PROPERTY.—

10           “(1) IN GENERAL.—In the case of any qualified  
11 production property of a taxpayer making an elec-  
12 tion under this subsection—

13           “(A) the depreciation deduction provided  
14 by section 167(a) for the taxable year in which  
15 such property is placed in service shall include  
16 an allowance equal to 100 percent of the ad-  
17 justed basis of the qualified production prop-  
18 erty, and

19           “(B) the adjusted basis of the qualified  
20 production property shall be reduced by the  
21 amount of such deduction before computing the  
22 amount otherwise allowable as a depreciation  
23 deduction under this chapter for such taxable  
24 year and any subsequent taxable year.

1           “(2) QUALIFIED PRODUCTION PROPERTY.—For  
2           purposes of this subsection—

3                   “(A) IN GENERAL.—The term ‘qualified  
4           production property’ means that portion of any  
5           nonresidential real property—

6                           “(i) to which this section applies,

7                                   “(ii) which is used by the taxpayer as  
8           an integral part of a qualified production  
9           activity,

10                                   “(iii) which is placed in service in the  
11           United States or any possession of the  
12           United States,

13                                   “(iv) the original use of which com-  
14           mences with the taxpayer,

15                                   “(v) the construction of which begins  
16           after January 19, 2025, and before Janu-  
17           ary 1, 2029,

18                                   “(vi) which is designated by the tax-  
19           payer in the election made under this sub-  
20           section, and

21                                   “(vii) which is placed in service before  
22           January 1, 2031.

23           For purposes of clause (ii), in the case of prop-  
24           erty with respect to which the taxpayer is a les-  
25           sor, property used by a lessee shall not be con-

1           sidered to be used by the taxpayer as part of  
2           a qualified production activity.

3           “(B) SPECIAL RULE FOR CERTAIN PROP-  
4           PERTY 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—

12           “(I) such property was not used  
13           in a qualified production activity (de-  
14           termined without regard to the second  
15           sentence of subparagraph (D)) by any  
16           person at any time during the period  
17           beginning on January 1, 2021, and  
18           ending on May 12, 2025,

19           “(II) such property was not used  
20           by the taxpayer at any time prior to  
21           such acquisition, and

22           “(III) the acquisition of such  
23           property meets the requirements of  
24           paragraphs (2)(A), (2)(B), (2)(C),  
25           and (3) of section 179(d).

1                   “(ii) WRITTEN BINDING CON-  
2                   TRACTS.—For purposes of determining  
3                   under clause (i)—

4                   “(I) whether such property is ac-  
5                   quired before the period described in  
6                   subparagraph (A)(v), such property  
7                   shall be treated as acquired not later  
8                   than the date on which the taxpayer  
9                   enters into a written binding contract  
10                  for such acquisition, and

11                  “(II) whether such property is  
12                  acquired after such period, such prop-  
13                  erty shall be treated as acquired not  
14                  earlier than such date.

15                  “(C) EXCLUSION OF OFFICE SPACE,  
16                  ETC.—The term ‘qualified production property’  
17                  shall not include that portion of any nonresi-  
18                  dential real property which is used for offices,  
19                  administrative services, lodging, parking, sales  
20                  activities, research activities, software develop-  
21                  ment or engineering activities, or other func-  
22                  tions unrelated to the manufacturing, produc-  
23                  tion, or refining of tangible personal property.

24                  “(D) QUALIFIED PRODUCTION ACTIVITY.—  
25                  The term ‘qualified production activity’ means



1 the manufacturing, production, or refining of a  
2 qualified product. The activities of any taxpayer  
3 do not constitute manufacturing, production, or  
4 refining of a qualified product unless the activi-  
5 ties of such taxpayer result in a substantial  
6 transformation of the property comprising the  
7 product.

8 “(E) PRODUCTION.—The term ‘produc-  
9 tion’ shall not include activities other than agri-  
10 cultural production and chemical production.

11 “(F) QUALIFIED PRODUCT.—The term  
12 ‘qualified product’ means any tangible personal  
13 property if such property is not a food or bev-  
14 erage prepared in the same building as a retail  
15 establishment in which such property is sold.

16 “(G) SYNDICATION.—For purposes of sub-  
17 paragraph (A)(iv), rules similar to the rules of  
18 subsection (k)(2)(E)(iii) shall apply.

19 “(H) EXTENSION OF PLACED IN SERVICE  
20 DATE UNDER CERTAIN CIRCUMSTANCES.—The  
21 Secretary may extend the date under subpara-  
22 graph (A)(vii) with respect to any property that  
23 meets the requirements of clauses (i) through  
24 (vi) of subparagraph (A) if the Secretary deter-  
25 mines that an act of God (as defined in section

1           101(1) of the Comprehensive Environmental  
2           Response, Compensation, and Liability Act of  
3           1980) prevents the taxpayer from placing such  
4           property in service before such date.

5           “(3) DEDUCTION ALLOWED IN COMPUTING  
6           MINIMUM TAX.—For purposes of determining alter-  
7           native minimum taxable income under section 55,  
8           the deduction under section 167 for qualified pro-  
9           duction property shall be determined under this sec-  
10          tion without regard to any adjustment under section  
11          56.

12          “(4) COORDINATION WITH CERTAIN OTHER  
13          PROVISIONS.—

14               “(A) OTHER SPECIAL DEPRECIATION AL-  
15               LOWANCES.—For purposes of subsections  
16               (k)(7), (l)(3)(D), and (m)(2)(B)(iii)—

17                       “(i) qualified production property  
18                       shall be treated as a separate class of  
19                       property, and

20                       “(ii) the taxpayer shall be treated as  
21                       having made an election under such sub-  
22                       sections with respect to such class.

23               “(B) ALTERNATIVE DEPRECIATION PROP-  
24               ERTY.—The term ‘qualified production prop-  
25               erty’ shall not include any property to which the

1 alternative depreciation system under sub-  
2 section (g) applies. For purposes of subsection  
3 (g)(7)(A), qualified production property to  
4 which this subsection applies shall be treated as  
5 separate nonresidential real property.

6 “(5) RECAPTURE.—If, at any time during the  
7 10-year period beginning on the date that any quali-  
8 fied production property is placed in service by the  
9 taxpayer, such property ceases to be used as de-  
10 scribed in paragraph (2)(A)(ii) and is used by the  
11 taxpayer in a productive use not described in para-  
12 graph (2)(A)(ii)—

13 “(A) section 1245 shall be applied—

14 “(i) by treating such property as hav-  
15 ing been disposed of by the taxpayer as of  
16 the first time such property is so used in  
17 a productive use not described in para-  
18 graph (2)(A)(ii), and

19 “(ii) by treating the amount described  
20 in subparagraph (B) of section 1245(a)(1)  
21 with respect to such disposition as being  
22 not less than the amount described in sub-  
23 paragraph (A) of such section, and

24 “(B) the basis of the taxpayer in such  
25 property, and the taxpayer’s allowance for de-

1           preciation with respect to such property, shall  
2           be appropriately adjusted to take into account  
3           amounts recognized by reason of subparagraph  
4           (A).

5           “(6) ELECTION.—

6                 “(A) IN GENERAL.—An election under this  
7           subsection for any taxable year shall—

8                 “(i) specify the nonresidential real  
9                 property subject to the election and the  
10                portion of such property designated under  
11                paragraph (2)(A)(vi), and

12               “(ii) except as otherwise provided by  
13               the Secretary, be made on the taxpayer’s  
14               return of the tax imposed by this chapter  
15               for the taxable year.

16           Such election shall be made in such manner as  
17           the Secretary may prescribe by regulations or  
18           other guidance.

19               “(B) ELECTION.—Any election made  
20               under this subsection, and any specification  
21               contained in any such election, may not be re-  
22               voked except with the consent of the Secretary  
23               (and the Secretary shall provide such consent  
24               only in extraordinary circumstances).

1           “(7) REGULATIONS.—The Secretary shall issue  
2           such regulations or other guidance as may be nec-  
3           essary or appropriate to carry out the purposes of  
4           this subsection, including regulations or other guid-  
5           ance—

6                   “(A) providing rules for regarding what  
7                   constitutes substantial transformation of prop-  
8                   erty which are consistent with guidance pro-  
9                   vided under section 954(d), and

10                   “(B) providing for the application of para-  
11                   graph (5) with respect to a change in use de-  
12                   scribed in such paragraph by a transferee fol-  
13                   lowing a fully or partially tax free transfer of  
14                   qualified production property.”.

15           (b) TREATMENT OF QUALIFIED PRODUCTION PROP-  
16   ERTY AS SECTION 1245 PROPERTY.—Section 1245(a)(3)  
17   is amended by striking “or” at the end of subparagraph  
18   (E), by striking the period at the end of subparagraph  
19   (F) and inserting “, or”, and by adding at the end the  
20   following new subparagraph:

21                   “(G) any qualified production property (as  
22                   defined in section 168(n)(2)).”.

23           (c) EFFECTIVE DATE.—The amendments made by  
24   this section shall apply to property placed in service after  
25   the date of the enactment of this Act.

1 **SEC. 70308. ENHANCEMENT OF ADVANCED MANUFAC-**  
2 **TURING INVESTMENT CREDIT.**

3 (a) IN GENERAL.—Section 48D(a) is amended by  
4 striking “25 percent” and inserting “30 percent”.

5 (b) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to property placed in service after  
7 December 31, 2025.

8 **Subchapter B—Permanent America-first**  
9 **International Tax Reforms**

10 **PART I—FOREIGN TAX CREDIT**

11 **SEC. 70311. RULES FOR ALLOCATION OF CERTAIN DEDUC-**  
12 **TIONS TO FOREIGN SOURCE NET CFC TEST-**  
13 **ED INCOME FOR PURPOSES OF FOREIGN TAX**  
14 **CREDIT LIMITATION.**

15 (a) IN GENERAL.—Section 904(b) is amended by  
16 adding at the end the following new paragraph:

17 “(5) DEDUCTIONS TREATED AS ALLOCABLE TO  
18 FOREIGN SOURCE GLOBAL INTANGIBLE LOW-TAXED  
19 INCOME.—In the case of a domestic corporation and  
20 solely for purposes of the application of subsection  
21 (a) with respect to amounts described in subsection  
22 (d)(1)(A), the taxpayer’s taxable income from  
23 sources without the United States shall be deter-  
24 mined—

25 “(A) by allocating and apportioning any  
26 deduction allowed under section 250(a)(1)(B)

1 (and any deduction allowed under section  
2 164(a)(3) for taxes imposed on amounts de-  
3 scribed in section 250(a)(1)(B)) to such income,  
4 and

5 “(B) by allocating and apportioning any  
6 other deduction to such income only if such de-  
7 duction is directly allocable to such income.

8 Any deduction which would (but for subparagraph  
9 (B)) have been allocated or apportioned to such in-  
10 come shall only be allocated or apportioned to in-  
11 come which is from sources within the United  
12 States.”.

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

16 **SEC. 70312. MODIFICATIONS TO DETERMINATION OF**  
17 **DEEMED PAID CREDIT FOR TAXES PROPERLY**  
18 **ATTRIBUTABLE TO TESTED INCOME.**

19 (a) INCREASE IN DEEMED PAID CREDIT.—

20 (1) IN GENERAL.—Section 960(d)(1) is amend-  
21 ed by striking “80 percent” and inserting “90 per-  
22 cent”.

23 (2) CONFORMING AMENDMENT.—Section 78 is  
24 amended by striking “80 percent” and inserting “90  
25 percent”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years of foreign corpora-  
3 tions beginning after December 31, 2025, and to taxable  
4 years of United States shareholders in which or with which  
5 such taxable years of foreign corporations end.

6 **SEC. 70313. SOURCING CERTAIN INCOME FROM THE SALE**  
7 **OF INVENTORY PRODUCED IN THE UNITED**  
8 **STATES.**

9 (a) IN GENERAL.—Section 904(b), as amended by  
10 section 70311, is amended by adding at the end the fol-  
11 lowing new paragraph:

12 “(6) SOURCE RULES FOR CERTAIN INVENTORY  
13 SOLD THROUGH FOREIGN BRANCHES.—For purposes  
14 of this section, notwithstanding the third sentence of  
15 section 863(b), if a United States person maintains  
16 an office or other fixed place of business in a foreign  
17 country (determined under rules similar to the rules  
18 of section 864(c)(5)), the portion of taxable income  
19 which is from the sale or exchange outside the  
20 United States of inventory property (within the  
21 meaning of section 865(i)(1)) produced in the  
22 United States and which is attributable to such of-  
23 fice or other fixed place of business shall be treated  
24 as from sources without the United States, except  
25 that the amount so treated shall not exceed 50 per-



1 cent of the taxable income from the sale or exchange  
2 of such inventory property.”.

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

6 **PART II—FOREIGN-DERIVED DEDUCTION ELIGI-**  
7 **BLE INCOME AND NET CFC TESTED INCOME**

8 **SEC. 70321. MODIFICATION OF DEDUCTION FOR FOREIGN-**  
9 **DERIVED DEDUCTION ELIGIBLE INCOME AND**  
10 **NET CFC TESTED INCOME.**

11 (a) IN GENERAL.—Section 250(a) is amended—

12 (1) by striking “37.5 percent” in paragraph

13 (1)(A) and inserting “33.34 percent”,

14 (2) by striking “50 percent” in paragraph

15 (1)(B) and inserting “40 percent”, and

16 (3) by striking paragraph (3).

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

20 **SEC. 70322. DETERMINATION OF DEDUCTION ELIGIBLE IN-**  
21 **COME.**

22 (a) SALES OR OTHER DISPOSITIONS GIVING RISE TO  
23 RENTS OR ROYALTIES.—

24 (1) IN GENERAL.—Section 250(b)(3)(A)(i) is  
25 amended—

1 (A) by striking “and” at the end of sub-  
2 clause (V),

3 (B) by striking “over” at the end of sub-  
4 clause (VI) and inserting “and”, and

5 (C) by adding at the end the following new  
6 subclause:

7 “(VII) except as otherwise pro-  
8 vided by the Secretary, any income  
9 and gain from the sale or other dis-  
10 position (including the deemed sale or  
11 other deemed disposition) of property  
12 of a type that gives rise to rents or  
13 royalties, over”.

14 (2) CONFORMING AMENDMENT.—Section  
15 250(b)(5)(E) is amended by inserting “(other than  
16 paragraph (3)(A)(i)(VII))” after “For purposes of  
17 this subsection”.

18 (3) EFFECTIVE DATE.—The amendments made  
19 by this subsection shall apply to sales or other dis-  
20 positions (or deemed sales or other deemed disposi-  
21 tions) occurring after June 16, 2025.

22 (b) CERTAIN PASSIVE INCOME.—

23 (1) IN GENERAL.—Section 250(b)(3)(A)(i), as  
24 amended by subsection (a), is amended—

1 (A) by striking “and” at the end of sub-  
2 clause (VI),

3 (B) by striking “over” at the end of sub-  
4 clause (VII) and inserting “and”, and

5 (C) by adding at the end the following new  
6 subclause:

7 “(VIII) any income described in  
8 clause (i) or (ii) of section  
9 904(d)(2)(B), determined without re-  
10 gard to clause (iii)(II) thereof, over”.

11 (2) EFFECTIVE DATE.—The amendments made  
12 by this subsection shall apply to income attributable  
13 to amounts received or accrued after June 16, 2025.  
14 For purposes of the preceding sentence, income is  
15 treated as attributable to amounts received or ac-  
16 crued after June 16, 2025, if such income would  
17 have been so treated but for a change in method of  
18 accounting occurring after such date.

19 (3) NO INFERENCE REGARDING CERTAIN MODI-  
20 FICATIONS.—The amendments made by this sub-  
21 section shall not be construed to create any inference  
22 with respect to the proper application of any provi-  
23 sion of the Internal Revenue Code of 1986 with re-  
24 spect to any period beginning before the date de-  
25 scribed in paragraph (2).

1 (c) EXPENSE APPORTIONMENT LIMITED TO DI-  
2 RECTLY RELATED EXPENSES.—

3 (1) IN GENERAL.—Section 250(b)(3)(A)(ii) is  
4 amended to read as follows:

5 “(ii) expenses and deductions (includ-  
6 ing taxes) directly related to such gross in-  
7 come.”.

8 (2) EFFECTIVE DATE.—The amendment made  
9 by this subsection shall apply to taxable years begin-  
10 ning after December 31, 2025.

11 **SEC. 70323. RULES RELATED TO DEEMED INTANGIBLE IN-**  
12 **COME.**

13 (a) TAXATION OF NET CFC TESTED INCOME.—

14 (1) IN GENERAL.—Section 951A(a) is amended  
15 by striking “global intangible low-taxed income” and  
16 inserting “net CFC tested income”.

17 (2) REPEAL OF TAX-FREE DEEMED RETURN ON  
18 FOREIGN INVESTMENTS.—Section 951A is amended  
19 by striking subsections (b) and (d) and by redesign-  
20 ating subsections (c), (e), and (f) as subsections  
21 (b), (c), and (d), respectively.

22 (3) CONFORMING AMENDMENTS.—

23 (A)(i) Section 250 is amended by striking  
24 “global intangible low-taxed income” each place  
25 it appears in subsections (a)(1)(B)(i), (a)(2),

1 and (b)(3)(A)(i)(II) and inserting “net CFC  
2 tested income”.

3 (ii) The heading for section 250 of such  
4 Code is amended by striking “**GLOBAL INTAN-**  
5 **GIBLE LOW-TAXED INCOME**” and inserting  
6 “**NET CFC TESTED INCOME**”.

7 (iii) The item relating to section 250 in the  
8 table of sections for part VII of subchapter B  
9 of chapter 1 of such Code is amended by strik-  
10 ing “global intangible low-taxed income” and  
11 inserting “net CFC tested income”.

12 (B) Section 951A(c)(1), as redesignated by  
13 paragraph (2), is amended by striking “sub-  
14 sections (b), (c)(1)(A), and (c)(1)(B)” and in-  
15 serting “subsections (b)(1)(A) and (b)(1)(B)”.

16 (C) Section 951A(d), as redesignated by  
17 paragraph (2), is amended—

18 (i) by striking “global intangible low-  
19 taxed income” each place it appears and  
20 inserting “net CFC tested income”, and

21 (ii) by striking “subsection (c)(1)(A)”  
22 in paragraph (2)(B)(ii) and inserting “sub-  
23 section (b)(1)(A)”.

24 (D) Section 960(d)(2) is amended—

1 (i) by striking “global intangible low-  
2 taxed income” in subparagraph (A) and in-  
3 serting “net CFC tested income”, and

4 (ii) by striking “section  
5 951A(c)(1)(A)” in subparagraph (B) and  
6 inserting “section 951A(b)(1)(A)”.

7 (E)(i) The heading for section 951A is  
8 amended by striking “**GLOBAL INTANGIBLE**  
9 **LOW-TAXED INCOME**” and inserting “**NET**  
10 **CFC TESTED INCOME**”.

11 (ii) The item relating to section 951A in  
12 the table of sections for subpart F of part III  
13 of subchapter N of chapter 1 is amended by  
14 striking “Global intangible low-taxed income”  
15 and inserting “Net CFC tested income”.

16 (4) EFFECTIVE DATE.—The amendments made  
17 by this subsection shall apply to taxable years of for-  
18 eign corporations beginning after December 31,  
19 2025, and to taxable years of United States share-  
20 holders in which or with which such taxable years of  
21 foreign corporations end.

22 (b) DEDUCTION FOR FOREIGN-DERIVED DEDUCTION  
23 ELIGIBLE INCOME.—

24 (1) IN GENERAL.—Section 250(a)(1)(A) is  
25 amended by striking “foreign-derived intangible in-

1       come” and inserting “foreign-derived deduction eligi-  
2       ble income”.

3           (2) CONFORMING AMENDMENTS.—

4           (A) Section 250(a)(2) is amended by strik-  
5       ing “foreign-derived intangible income” each  
6       place it appears and inserting “foreign-derived  
7       deduction eligible income”.

8           (B) Section 250(b), as amended by sub-  
9       section (a), is amended—

10           (i) by striking paragraphs (1) and (2),

11           (ii) by redesignating paragraphs (4)  
12       and (5) as paragraphs (1) and (2), respec-  
13       tively, and by moving such paragraphs be-  
14       fore paragraph (3),

15           (iii) in paragraph (2)(B)(ii), as so re-  
16       designated, by striking “paragraph (4)(B)”  
17       and inserting “paragraph (1)(B)”, and

18           (iv) by striking “INTANGIBLE” in the  
19       heading thereof and inserting “DEDUC-  
20       TION ELIGIBLE”.

21           (C)(i) The heading for section 250 is  
22       amended by striking “**INTANGIBLE**” in the  
23       heading thereof and inserting “**DEDUCTION**  
24       **ELIGIBLE**”.

1 (ii) The heading for section 172(d)(9) is  
2 amended by striking “INTANGIBLE” and insert-  
3 ing “DEDUCTION ELIGIBLE”.

4 (iii) The item relating to section 250 in the  
5 table of sections for part VIII of subchapter B  
6 of chapter 1 is amended by striking “intan-  
7 gible” and inserting “deduction eligible”.

8 (3) EFFECTIVE DATE.—The amendments made  
9 by this subsection shall apply to taxable years begin-  
10 ning after December 31, 2025.

11 **PART III—BASE EROSION MINIMUM TAX**

12 **SEC. 70331. MODIFICATIONS TO BASE EROSION MINIMUM**  
13 **TAX.**

14 (a) BASE EROSION MINIMUM TAX AMOUNT.—

15 (1) RATE OF TAX.—Subparagraph (A) of sec-  
16 tion 59A(b)(1) is amended by striking “10 percent  
17 (5 percent in the case of taxable years beginning in  
18 calendar year 2018)” and inserting “14 percent”.

19 (2) CONFORMING AMENDMENTS.—

20 (A) Section 59A(b) is amended by striking  
21 paragraphs (2) and (3) and by redesignating  
22 paragraph (4) as paragraph (2).

23 (B) Section 59A(b)(1) is amended by strik-  
24 ing “Except as provided in paragraphs (2) and  
25 (3), the” and inserting “The”.



1 (b) MODIFICATION OF RULES FOR DETERMINING  
2 MODIFIED TAXABLE INCOME.—

3 (1) EXCEPTION FOR CERTAIN PAYMENTS SUB-  
4 JECT TO SUFFICIENT FOREIGN TAX.—Section 59A is  
5 amended by redesignating subsection (i) as sub-  
6 section (j) and by inserting after subsection (h) the  
7 following new subsection:

8 “(i) EXCEPTION FOR BASE EROSION PAYMENTS  
9 SUBJECT TO SUFFICIENT FOREIGN TAX.—

10 “(1) IN GENERAL.—An amount shall not be  
11 treated as a base erosion payment if the taxpayer es-  
12 tablishes to the satisfaction of the Secretary that  
13 such amount was paid or accrued to a foreign per-  
14 son which is a related party of the taxpayer and the  
15 amount is subject to an effective rate of foreign in-  
16 come tax (determined in accordance with the prin-  
17 ciples of section 904(d)(2)(F)) which is greater than  
18 the percentage equal to 90 percent of the highest  
19 rate of tax in effect under section 11 for the taxable  
20 year.

21 “(2) CERTAIN PAYMENTS TO RELATED PAR-  
22 TIES.—To the extent provided by the Secretary in  
23 regulations, an amount paid or accrued to a foreign  
24 person which is a related party of the taxpayer shall  
25 be treated as paid or accrued to another foreign per-

1 son which is a related party of the taxpayer to the  
2 extent the amount so paid or accrued funds a pay-  
3 ment to such other foreign person and the payment  
4 to such other foreign person is subject to an effec-  
5 tive rate of foreign income tax (determined in ac-  
6 cordance with the principles of section 904(d)(2)(F))  
7 which is less than the percentage equal to 90 per-  
8 cent of the highest rate of tax in effect under section  
9 11 for the taxable year.

10 “(3) 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 providing procedures for determining the effec-  
15 tive rate of foreign income tax to which any amount  
16 is subject. Such procedures may require that any  
17 transaction or series of transactions among multiple  
18 parties be recharacterized as one or more trans-  
19 actions directly among any 2 or more of such parties  
20 where the Secretary determines that such re-  
21 characterization is appropriate to carry out, or pre-  
22 vent avoidance of, the purposes of this subsection.”.

23 (2) CAPITALIZED INTEREST EXPENSES.—

24 (A) TREATMENT AS BASE EROSION PAY-  
25 MENT.—Section 59A(d) is amended by redesign-

1 nating paragraph (5) as paragraph (6) and by  
2 inserting after paragraph (4) the following:

3 “(5) CAPITALIZED INTEREST EXPENSES.—

4 “(A) IN GENERAL.—Such term shall also  
5 include any amount of interest which—

6 “(i) is paid or incurred by the tax-  
7 payer to a foreign person which is a re-  
8 lated party of the taxpayer, and

9 “(ii) is capitalized under any other  
10 provision of this chapter.

11 “(B) EXCEPTIONS.—Subparagraph (A)  
12 shall not apply to interest which is—

13 “(i) charged to capital account under  
14 section 263(g) or 263A(f), or

15 “(ii) treated without regard to this  
16 paragraph as a base erosion payment.”.

17 (B) BASE EROSION TAX BENEFIT.—Sub-  
18 paragraph (A) of section 59A(c)(2) is amended  
19 by striking “and” at the end of clause (iii), by  
20 striking the period at the end of clause (iv) and  
21 inserting “, and”, and by adding at the end the  
22 following:

23 “(v) in the case of a base erosion pay-  
24 ment described in subsection (d)(5)—

1 “(I) any deduction allowed under  
2 this chapter for the taxable year for  
3 depreciation (or amortization in lieu  
4 of depreciation) with respect to prop-  
5 erty to which such payment is capital-  
6 ized, and

7 “(II) any reduction in gross re-  
8 ceipts for the taxable year with re-  
9 spect to such property,

10 but only to the extent such deduction or  
11 reduction is attributable to such pay-  
12 ment.”.

13 (C) BASE EROSION PERCENTAGE.—Clause  
14 (ii) of section 59A(c)(4)(A) is amended—

15 (i) by striking “clauses (i) and (ii)” in  
16 subclause (I) thereof and inserting  
17 “clauses (i), (ii), and (v)(I)”, and

18 (ii) by striking “clauses (iii) and (iv)”  
19 in subclause (II) thereof and inserting  
20 “clauses (iii), (iv), and (v)(II)”.

21 (D) CONFORMING AMENDMENT.—Clause  
22 (ii) of section 59A(c)(4)(B) is amended by  
23 striking “subsection (d)(5)” and inserting “sub-  
24 section (d)(6)”.

1 (c) APPLICABLE TAXPAYER.—Subparagraph (C) of  
2 section 59A(e)(1) is amended to read as follows:

3 “(C) the base erosion percentage of which  
4 for the taxable year is 2 percent or higher.”.

5 (d) OTHER MODIFICATIONS.—

6 (1) Section 59A(h)(2)(B) is amended by strik-  
7 ing “section 6038B(b)(2)” and inserting “section  
8 6038A(b)(2)”.

9 (2) Section 59A(j)(2), as redesignated by sub-  
10 section (b), is amended—

11 (A) by striking “subsection (g)” and in-  
12 serting “subsection (h)”, and

13 (B) by striking “subsection (g)(3)” and in-  
14 serting “subsection (h)(3)”.

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

18 **PART IV—BUSINESS INTEREST LIMITATION**

19 **SEC. 70341. COORDINATION OF BUSINESS INTEREST LIM-**  
20 **TATION WITH INTEREST CAPITALIZATION**  
21 **PROVISIONS.**

22 (a) IN GENERAL.—Section 163(j) is amended by re-  
23 designating paragraphs (10) and (11) as paragraphs (11)  
24 and (12) and by inserting after paragraph (9) the fol-  
25 lowing:

1           “(10) COORDINATION WITH INTEREST CAPITAL-  
2           IZATION PROVISIONS.—

3           “(A) IN GENERAL.—In applying this sub-  
4           section—

5                   “(i) the limitation under paragraph  
6                   (1) shall apply to business interest without  
7                   regard to whether the taxpayer would oth-  
8                   erwise deduct such business interest or  
9                   capitalize such business interest under an  
10                  interest capitalization provision, and

11                   “(ii) any reference in this subsection  
12                   to the deduction for business interest shall  
13                   be treated as including a reference to the  
14                   capitalization of business interest.

15           “(B) AMOUNT ALLOWED APPLIED FIRST  
16           TO CAPITALIZED INTEREST.—The amount al-  
17           lowed after taking into account the limitation  
18           described in paragraph (1)—

19                   “(i) shall be applied first to the aggre-  
20                   gate amount of business interest which  
21                   would be capitalized, and

22                   “(ii) the remainder (if any) shall be  
23                   applied to the aggregate amount of busi-  
24                   ness interest which would be deducted.

1                   “(C) TREATMENT OF DISALLOWED INTER-  
2                   EST CARRIED FORWARD.—No portion of any  
3                   business interest carried forward under para-  
4                   graph (2) from any taxable year to any suc-  
5                   ceeding taxable year shall, for purposes of this  
6                   title (including any interest capitalization provi-  
7                   sion which previously applied to such portion)  
8                   be treated as interest to which an interest cap-  
9                   italization provision applies.

10                   “(D) INTEREST CAPITALIZATION PROVI-  
11                   SION.—For purposes of this section, the term  
12                   ‘interest capitalization provision’ means any  
13                   provision of this subtitle under which interest—

14                   “(i) is required to be charged to cap-  
15                   ital account, or

16                   “(ii) may be deducted or charged to  
17                   capital account.”.

18                   (b) CERTAIN CAPITALIZED INTEREST NOT TREATED  
19 AS BUSINESS INTEREST.—Section 163(j)(5) is amended  
20 by adding at the end the following new sentence: “Such  
21 term shall not include any interest which is capitalized  
22 under section 263(g) or 263A(f).”.

23                   (c) REGULATORY AUTHORITY.—Section 163(j), as  
24 amended by subsection (a), is amended by redesignating

1 paragraphs (11) and (12) as paragraphs (12) and (13)  
2 and by inserting after paragraph (10) the following:

3 “(11) REGULATORY AUTHORITY.—The Sec-  
4 retary shall issue such regulations or guidance as  
5 may be necessary or appropriate to carry out the  
6 purposes of this subsection, including regulations or  
7 guidance to determine which business interest is  
8 taken into account under this subsection and section  
9 59A(c)(3).”.

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

13 **SEC. 70342. DEFINITION OF ADJUSTED TAXABLE INCOME**  
14 **FOR BUSINESS INTEREST LIMITATION.**

15 (a) IN GENERAL.—Subparagraph (A) of section  
16 163(j)(8) is amended—

17 (1) by striking “and” at the end of clause (iv),  
18 and

19 (2) by adding at the end the following new  
20 clause:

21 “(vi) the amounts included in gross  
22 income under sections 951(a), 951A(a),  
23 and 78, and”.



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

4 **PART V—OTHER INTERNATIONAL TAX REFORMS**

5 **SEC. 70351. PERMANENT EXTENSION OF LOOK-THRU RULE**  
6 **FOR CONTROLLED FOREIGN CORPORATIONS.**

7 (a) IN GENERAL.—Section 954(c)(6)(C) is amended  
8 by striking “and before January 1, 2026,”.

9 (b) EFFECTIVE DATE.—The amendment made by  
10 this section shall apply to taxable years of foreign corpora-  
11 tions beginning after December 31, 2025, and to taxable  
12 years of United States shareholders with or within which  
13 such taxable years of foreign corporations end.

14 **SEC. 70352. REPEAL OF ELECTION FOR 1-MONTH DEFER-**  
15 **RAL IN DETERMINATION OF TAXABLE YEAR**  
16 **OF SPECIFIED FOREIGN CORPORATIONS.**

17 (a) IN GENERAL.—Section 898(c) is amended by  
18 striking paragraph (2) and redesignating paragraph (3)  
19 as paragraph (2).

20 (b) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years of specified foreign  
22 corporations beginning after November 30, 2025.

23 (c) TRANSITION RULE.—

24 (1) IN GENERAL.—In the case of a corporation  
25 that is a specified foreign corporation as of Novem-

1       ber 30, 2025, such corporation’s first taxable year  
2       beginning after such date shall end at the same time  
3       as the first required year (within the meaning of sec-  
4       tion 898(c)(1) of the Internal Revenue Code of  
5       1986) ending after such date. If any specified for-  
6       eign corporation is required by this section (or the  
7       amendments made by this section) to change its tax-  
8       able year for its first taxable year beginning after  
9       November 30, 2025—

10               (A) such change shall be treated as initi-  
11               ated by such corporation,

12               (B) such change shall be treated as having  
13               been made with the consent of the Secretary,  
14               and

15               (C) the Secretary shall issue regulations or  
16               other guidance for allocating foreign taxes that  
17               are paid or accrued in such first taxable year  
18               and the succeeding taxable year among such  
19               taxable years in the manner the Secretary de-  
20               termines appropriate to carry out the purposes  
21               of this section.

22               (2) SECRETARY.—For purposes of this sub-  
23               section, the term “Secretary” means the Secretary  
24               of the Treasury or the Secretary’s delegate.

1 **SEC. 70353. RESTORATION OF LIMITATION ON DOWNWARD**  
2 **ATTRIBUTION OF STOCK OWNERSHIP IN AP-**  
3 **PLYING CONSTRUCTIVE OWNERSHIP RULES.**

4 (a) IN GENERAL.—Section 958(b) is amended—

5 (1) by inserting after paragraph (3) the fol-  
6 lowing:

7 “(4) Subparagraphs (A), (B), and (C) of sec-  
8 tion 318(a)(3) shall not be applied so as to consider  
9 a United States person as owning stock which is  
10 owned by a person who is not a United States per-  
11 son.”, and

12 (2) by striking “Paragraph (1)” in the last sen-  
13 tence and inserting “Paragraphs (1) and (4)”.

14 (b) FOREIGN CONTROLLED UNITED STATES SHARE-  
15 HOLDERS.—Subpart F of part III of subchapter N of  
16 chapter 1 is amended by inserting after section 951A the  
17 following new section:

18 **“SEC. 951B. AMOUNTS INCLUDED IN GROSS INCOME OF**  
19 **FOREIGN CONTROLLED UNITED STATES**  
20 **SHAREHOLDERS.**

21 “(a) IN GENERAL.—In the case of any foreign con-  
22 trolled United States shareholder of a foreign controlled  
23 foreign corporation—

24 “(1) this subpart (other than sections 951A,  
25 951(b), and 957) shall be applied with respect to  
26 such shareholder (separately from, and in addition

1 to, the application of this subpart without regard to  
2 this section)—

3 “(A) by substituting ‘foreign controlled  
4 United States shareholder’ for ‘United States  
5 shareholder’ each place it appears therein, and

6 “(B) by substituting ‘foreign controlled  
7 foreign corporation’ for ‘controlled foreign cor-  
8 poration’ each place it appears therein, and

9 “(2) section 951A shall be applied with respect  
10 to such shareholder—

11 “(A) by treating each reference to ‘United  
12 States shareholder’ in such section as including  
13 a reference to such shareholder, and

14 “(B) by treating each reference to ‘con-  
15 trolled foreign corporation’ in such section as  
16 including a reference to such foreign controlled  
17 foreign corporation.

18 “(b) FOREIGN CONTROLLED UNITED STATES  
19 SHAREHOLDER.—For purposes of this section, the term  
20 ‘foreign controlled United States shareholder’ means, with  
21 respect to any foreign corporation, any United States per-  
22 son which would be a United States shareholder with re-  
23 spect to such foreign corporation if—

24 “(1) section 951(b) were applied by substituting  
25 ‘more than 50 percent’ for ‘10 percent or more’, and

1 “(2) section 958(b) were applied without regard  
2 to paragraph (4) thereof.

3 “(c) FOREIGN CONTROLLED FOREIGN CORPORA-  
4 TION.—For purposes of this section, the term ‘foreign con-  
5 trolled foreign corporation’ means a foreign corporation,  
6 other than a controlled foreign corporation, which would  
7 be a controlled foreign corporation if section 957(a) were  
8 applied—

9 “(1) by substituting ‘foreign controlled United  
10 States shareholders’ for ‘United States share-  
11 holders’, and

12 “(2) by substituting ‘section 958(b) (other than  
13 paragraph (4) thereof)’ for ‘section 958(b)’.

14 “(d) REGULATIONS.—The Secretary shall prescribe  
15 such regulations or other guidance as may be necessary  
16 or appropriate to carry out the purposes of this section,  
17 including regulations or other guidance—

18 “(1) to treat a foreign controlled United States  
19 shareholder or a foreign controlled foreign corpora-  
20 tion as a United States shareholder or as a con-  
21 trolled foreign corporation, respectively, for purposes  
22 of provisions of this title other than this subpart (in-  
23 cluding any reporting requirement), and

24 “(2) with respect to the treatment of foreign  
25 controlled foreign corporations that are passive for-

1        eign investment companies (as defined in section  
2        1297).”.

3        (c) CLERICAL AMENDMENT.—The table of sections  
4        for subpart F of part III of subchapter N of chapter 1  
5        is amended by inserting after the item relating to section  
6        951A the following new item:

      “Sec. 951B. Amounts included in gross income of foreign controlled United  
          States shareholders.”.

7        (d) EFFECTIVE DATE.—The amendments made by  
8        this section shall apply to taxable years of foreign corpora-  
9        tions beginning after December 31, 2025, and to taxable  
10       years of United States persons in which or with which  
11       such taxable years of foreign corporations end.

12       (e) NO INFERENCE.—The amendments made by this  
13       section shall not be construed to create any inference with  
14       respect to the proper application of any provision of the  
15       Internal Revenue Code of 1986 with respect to taxable  
16       years beginning before the taxable years to which such  
17       amendments apply.

18       **SEC. 70354. MODIFICATIONS TO PRO RATA SHARE RULES.**

19       (a) IN GENERAL.—Subsection (a) of section 951 is  
20       amended to read as follows:

21       “(a) AMOUNTS INCLUDED.—

22                “(1) IN GENERAL.—If a foreign corporation is  
23       a controlled foreign corporation at any time during

1 a taxable year of the foreign corporation (in this  
2 subsection referred to as the ‘CFC year’)—

3 “(A) each United States shareholder which  
4 owns stock in such corporation during the CFC  
5 year shall include in gross income such share-  
6 holder’s pro rata share (determined under para-  
7 graph (2)) of the corporation’s subpart F in-  
8 come for the CFC year, and

9 “(B) each United States shareholder which  
10 owns stock in such corporation on the last day,  
11 in the CFC year, on which such corporation is  
12 a controlled foreign corporation shall include in  
13 gross income the amount determined under sec-  
14 tion 956 with respect to such shareholder for  
15 the CFC year (but only to the extent not ex-  
16 cluded from gross income under section  
17 959(a)(2)).

18 “(2) PRO RATA SHARE OF SUBPART F IN-  
19 COME.—A United States shareholder’s pro rata  
20 share of a controlled foreign corporation’s subpart F  
21 income for a CFC year shall be the portion of such  
22 income which is attributable to—

23 “(A) the stock of such corporation owned  
24 by such shareholder, and

1 “(B) any period of the CFC year during  
2 which—

3 “(i) such shareholder owned such  
4 stock,

5 “(ii) such shareholder was a United  
6 States shareholder, and

7 “(iii) such corporation was a con-  
8 trolled foreign corporation.

9 “(3) TAXABLE YEAR OF INCLUSION.—Any  
10 amount required to be included in gross income by  
11 a United States shareholder under paragraph (1)  
12 with respect to a CFC year shall be included in  
13 gross income for the shareholder’s taxable year  
14 which includes the last day during such CFC year  
15 on which the shareholder owns the stock in the con-  
16 trolled foreign corporation with respect to which  
17 such amount is required to be included.

18 “(4) REGULATORY AUTHORITY.—The Secretary  
19 shall prescribe such regulations or other guidance as  
20 may be necessary or appropriate to carry out the  
21 purposes of this subsection, including regulations or  
22 other guidance—

23 “(A) providing rules and methods for de-  
24 termining a United States shareholder’s pro



1           rata share under paragraph (2) by taking into  
2           account all facts and circumstances,

3           “(B) providing for the determination of a  
4           United States shareholder’s pro rata share  
5           under paragraph (2) in the case of tiered enti-  
6           ties, and

7           “(C) allowing taxpayers to elect to close  
8           the taxable year of a controlled foreign corpora-  
9           tion upon a direct or indirect disposition of  
10          stock of such corporation.”.

11       (b) COORDINATION WITH SECTION 951A.—Section  
12   951A(c), as redesignated by section 70323(a)(2), is  
13   amended—

14           (1) in paragraph (1), by striking “in which or  
15           with which the taxable year of the controlled foreign  
16           corporation ends” and inserting “determined under  
17           section 951(a)(3)”, and

18           (2) in paragraph (2), by striking “the last day  
19           in the taxable year of such foreign corporation on  
20           which such foreign corporation is a controlled for-  
21           eign corporation” and inserting “any day in such  
22           taxable year”.

23       (c) EFFECTIVE DATE.—The amendments made by  
24   this section shall apply to taxable years of foreign corpora-  
25   tions beginning after December 31, 2025, and to taxable

1 years of United States shareholders in which or with which  
2 such taxable years of foreign corporations end.

3 **PART VI—REMEDIES AGAINST UNFAIR FOREIGN**  
4 **TAXES**

5 **SEC. 70361. ENFORCEMENT OF REMEDIES AGAINST UNFAIR**  
6 **FOREIGN TAXES.**

7 (a) IN GENERAL.—Subpart D of part II of sub-  
8 chapter N of chapter 1 is amended by adding at the end  
9 the following new section:

10 **“SEC. 899. ENFORCEMENT OF REMEDIES AGAINST UNFAIR**  
11 **FOREIGN TAXES.**

12 “(a) TAX TREATMENT OF PERSONS CONNECTED TO  
13 OFFENDING FOREIGN COUNTRIES.—In the case of—

14 “(1) an applicable person with respect to any  
15 foreign country which is an offending foreign coun-  
16 try by reason of such country having an unfair for-  
17 eign tax which is an extraterritorial tax—

18 “(A) the rate of any tax described in para-  
19 graph (1) or (2) of subsection (e) which is im-  
20 posed on such person or on any payment to  
21 such person shall be increased by the applicable  
22 number of percentage points during the periods,  
23 and in such manner, as provided under such  
24 subsection, and

1 “(B) if any tax described in clause (i), (iii),  
2 (iv) or (vi) of paragraph (1)(B), or paragraph  
3 (2)(A), of subsection (e) otherwise applicable to  
4 such person is not imposed by reason of an ex-  
5 emption or exception, or is imposed at a rate of  
6 tax equal to zero, such tax shall be imposed at  
7 a rate equal to the rate increase described in  
8 subparagraph (A) which would have occurred if  
9 subparagraph (A) applied, and

10 “(2) an applicable corporation (as defined in  
11 subsection (f)(2)), section 59A shall be applied to  
12 such corporation during the periods, and in such  
13 manner, as provided under subsection (f).

14 “(b) APPLICABLE PERSON.—For purposes of this  
15 section—

16 “(1) IN GENERAL.—Except as otherwise pro-  
17 vided by the Secretary, the term ‘applicable person’  
18 means—

19 “(A) any foreign government (within the  
20 meaning of section 892) of any offending for-  
21 eign country,

22 “(B) any individual (other than a citizen  
23 or resident of the United States) who is a tax  
24 resident of an offending foreign country,

1           “(C) any foreign corporation (other than a  
2           United States-owned foreign corporation, as de-  
3           fined in section 904(h)(6)) which is a tax resi-  
4           dent of an offending foreign country,

5           “(D) any private foundation (within the  
6           meaning of section 4948) created or organized  
7           in an offending foreign country,

8           “(E) any foreign corporation (other than a  
9           publicly held corporation) if more than 50 per-  
10          cent of—

11                 “(i) the total combined voting power  
12                 of all classes of stock of such corporation  
13                 entitled to vote, or

14                 “(ii) the total value of the stock of  
15                 such corporation,  
16           is owned (within the meaning of section 958(a))  
17           by persons described in this paragraph,

18           “(F) any trust the majority of the bene-  
19           ficial interests of which are held (directly or in-  
20           directly) by persons described in this para-  
21           graph, and

22           “(G) any other entity (including branches)  
23           identified with respect to an offending foreign  
24           country by the Secretary for purposes of this  
25           subsection.

1           “(2) CONTINUATION OF TREATMENT DURING  
2           CERTAIN PERIODS.—For purposes of this section, if  
3           a person would cease to be an applicable person for  
4           a period of less than one year, such person shall con-  
5           tinue to be treated as an applicable person during  
6           such period.

7           “(3) PUBLICLY HELD CORPORATION.—For pur-  
8           poses of this section, the term ‘publicly held corpora-  
9           tion’ means any corporation if at least 80 percent  
10          (by vote and value) of the stock in such corporation  
11          is regularly traded on—

12                 “(A) a national securities exchange reg-  
13                 istered under section 6 of the Securities Ex-  
14                 change Act of 1934 (15 U.S.C. 78f), or

15                 “(B) to the extent provided by the Sec-  
16                 retary, any established securities market which  
17                 satisfies regulatory requirements which are  
18                 similar to the requirements applicable to an ex-  
19                 change described in subparagraph (A).

20          “(c) OFFENDING FOREIGN COUNTRY.—For purposes  
21 of this section—

22                 “(1) OFFENDING FOREIGN COUNTRY.—The  
23                 term ‘offending foreign country’ means any foreign  
24                 country which has one or more unfair foreign taxes.

“(2) FOREIGN COUNTRY.—The term ‘foreign country’ means a foreign country (or political subdivision thereof) or a dependent territory or possession of a foreign country. Such term does not include any possession of the United States.

6       “(d) UNFAIR FOREIGN TAX.—For purposes of this  
7 section—

8 “(1) UNFAIR FOREIGN TAX DEFINED.—

9                   “(A) IN GENERAL.—The term ‘unfair for-  
10                   eign tax’ means an extraterritorial tax or a dis-  
11                   criminatory tax.

12                   “(B) EXCEPTIONS.—Such term shall not  
13                   include any tax which does not apply to—

14 “(i) any United States person (includ-  
15 ing a trade or business of a United States  
16 person), or

17 “(ii) any foreign corporation (includ-  
18 ing a trade or business of such foreign cor-  
19 poration) if—

20 “(I) the foreign corporation is a  
21 controlled foreign corporation, and

22 “(II) more than 50 percent of  
23 the total combined voting power of all  
24 classes of stock of such corporation  
25 entitled to vote, or the total value of

1                   the stock of such corporation, is  
2                   owned (within the meaning of section  
3                   958(a)) by United States persons.

4                   “(2) TAX.—The term ‘tax’ includes any in-  
5                   crease in tax whether effectuated by an increase in  
6                   the rate or base of a tax, by a denial of deductions  
7                   or credits, or otherwise.

8                   “(3) EXTRATERRITORIAL TAX.—Except as pro-  
9                   vided in paragraph (5), the term ‘extraterritorial  
10                  tax’ means any tax imposed by a foreign country on  
11                  a corporation (including any trade or business of  
12                  such corporation) which is determined by reference  
13                  to any income or profits received by any person (in-  
14                  cluding any trade or business of any person) by rea-  
15                  son of such person being connected to such corpora-  
16                  tion through any chain of ownership, determined  
17                  without regard to the ownership interests of any in-  
18                  dividual, and other than by reason of such corpora-  
19                  tion having a direct or indirect ownership interest in  
20                  such person. Such term shall include any tax im-  
21                  posed under a UTPR or an undertaxed profits rule.

22                  “(4) DISCRIMINATORY TAX.—Except as pro-  
23                  vided in paragraph (5), the term ‘discriminatory tax’  
24                  means—

25                         “(A) any digital services tax,

1           “(B) to the extent provided by the Sec-  
2           retary, any tax imposed by a foreign country  
3           if—

4                   “(i) such tax applies more than inci-  
5                   dentally to items of income that would not  
6                   be considered to be from sources, or effec-  
7                   tively connected to a trade or business,  
8                   within the foreign country under the rules  
9                   of part I of this subchapter if such part  
10                  were applied by treating such foreign coun-  
11                  try as though it were the United States,

12                   “(ii) such tax is imposed on a base  
13                   other than net income and is not computed  
14                   by permitting recovery of costs and ex-  
15                   penses,

16                   “(iii) such tax is exclusively or pre-  
17                   dominantly applicable, in practice or by its  
18                   terms, to nonresident individuals and for-  
19                   eign corporations or partnerships (as de-  
20                   termined under rules similar to paragraphs  
21                   (4) and (5) of section 7701(a) by treating  
22                   the foreign country as though it were the  
23                   United States) because of the application  
24                   of revenue thresholds, exemptions or exclu-  
25                   sions for taxpayers subject to such foreign



1 country's corporate income tax, or restric-  
2 tions of scope that ensure that substan-  
3 tially all residents (other than foreign cor-  
4 porations and partnerships (as so deter-  
5 mined)) supplying comparable goods or  
6 services are excluded from the application  
7 of such tax, or

8 “(iv) such tax is not treated as an in-  
9 come tax under the laws of such foreign  
10 country or is otherwise treated by such for-  
11 eign country as outside the scope of any  
12 agreements that are in force between such  
13 foreign country and one or more other ju-  
14 risdictions for the avoidance of double tax-  
15 ation with respect to taxes on income, and

16 “(C) to the extent provided by the Sec-  
17 retary, any other tax imposed by a foreign  
18 country enacted with a public or stated purpose  
19 indicating that the tax will be economically  
20 borne, directly or indirectly, disproportionately  
21 by United States persons.

22 “(5) EXCEPTIONS.—Except as otherwise pro-  
23 vided by the Secretary, any tax described in para-  
24 graph (3) (determined without regard to the last  
25 sentence thereof), (4)(B), or (4)(C) shall not be

1       treated as an extraterritorial tax or discriminatory  
2       tax, whichever is applicable, if it is a generally appli-  
3       cable tax which constitutes—

4               “(A) an income tax generally imposed on  
5       the income of citizens or residents of the for-  
6       eign country, even if the computation of income  
7       includes payments that would be foreign source  
8       income under part I of this subchapter,

9               “(B) an income tax which would be an un-  
10      fair foreign tax (determined without regard to  
11      this subparagraph) solely because it is imposed  
12      on the income of nonresidents attributable to a  
13      trade or business in such foreign country,

14              “(C) an income tax which would be an un-  
15      fair foreign tax (determined without regard to  
16      this subparagraph) solely because it is imposed  
17      on citizens or residents of such foreign country  
18      by reference to the income of a corporate sub-  
19      sidiary of such person,

20              “(D) a withholding tax, or other gross  
21      basis tax, on any amount described in section  
22      871(a)(1) or 881(a), other than any with-  
23      holding tax, or other gross basis tax, imposed  
24      with respect to services performed by persons  
25      other than individuals,

1           “(E) a value added tax, goods and services  
2           tax, sales tax, or other similar tax on consump-  
3           tion,

4           “(F) a tax imposed with respect to trans-  
5           actions on a per-unit or per-transaction basis  
6           rather than on an ad valorem basis,

7           “(G) a tax on real or personal property, an  
8           estate tax, a gift tax, other similar tax,

9           “(H) a tax which would not be an  
10          extraterritorial tax or discriminatory tax (deter-  
11          mined without regard to this subparagraph) ex-  
12          cept by reason of consolidation or loss sharing  
13          rules that generally apply only with respect to  
14          income of tax residents of the foreign country,  
15          or

16          “(I) any other tax identified by the Sec-  
17          retary for purposes of this paragraph.

18          “(e) INCREASED RATES OF TAX FOR COUNTRIES  
19          WITH EXTRATERRITORIAL TAXES.—

20          “(1) TAXES OTHER THAN WITHHOLDING  
21          TAXES.—

22          “(A) IN GENERAL.—In the case of any ap-  
23          plicable person described in subsection (a)(1),  
24          each specified rate of tax (or any rate of tax ap-

1           plicable in lieu of such rate) shall be increased  
2           by the applicable number of percentage points.

3           “(B) SPECIFIED RATE OF TAX.—For pur-  
4           poses of this paragraph, the term ‘specified rate  
5           of tax’ means—

6                   “(i) the rates of tax specified in para-  
7                   graphs (1) and (2) of section 871(a),

8                   “(ii) in the case of any applicable per-  
9                   son to which section 871(b) applies, each  
10                  rate of tax in effect under section 1,

11                  “(iii) the rate of tax specified in sec-  
12                  tion 881(a),

13                  “(iv) in the case of any applicable per-  
14                  son to which section 882(a) applies, the  
15                  rate of tax specified in section 11(b),

16                  “(v) the rate of tax specified in sec-  
17                  tion 884(a), and

18                  “(vi) the rate of tax specified in sec-  
19                  tion 4948(a).

20           “(C) APPLICATION OF INCREASED RATES  
21           TO EFFECTIVELY CONNECTED INCOME OF NON-  
22           RESIDENT ALIEN INDIVIDUALS LIMITED TO  
23           GAINS ON UNITED STATES REAL PROPERTY IN-  
24           TERESTS.—In the case of any individual to  
25           whom subparagraph (A) applies, the tax im-

1 posed under section 1 on such individual (after  
2 application of subparagraph (A)) shall be re-  
3 duced (but not below zero) by the excess of—

4 “(i) the tax which would be imposed  
5 under such section (after application of  
6 subparagraph (A)) if FIRPTA items were  
7 not taken into account, over

8 “(ii) the tax which would be imposed  
9 under such section if FIRPTA items were  
10 not taken into account, and subparagraph  
11 (A) did not apply.

12 For purposes of this clause, the term ‘FIRPTA  
13 items’ means gains and losses taken into ac-  
14 count under section 871(b)(1) by reason of sec-  
15 tion 897(a)(1)(A).

16 “(D) APPLICATION OF INCREASED RATES  
17 TO CERTAIN FOREIGN GOVERNMENTS.—In the  
18 case of any applicable person described in sub-  
19 section (b)(1)(A), section 892(a)(1) shall not  
20 apply.

21 “(2) WITHHOLDING TAXES.—

22 “(A) IN GENERAL.—In the case of any  
23 payment to an applicable person described in  
24 subsection (a)(1), each rate of tax specified in  
25 section 1441(a), 1442(a), or 1443(b) (or any

1 rate of tax applicable in lieu of such rate) shall  
2 be increased by the applicable number of per-  
3 centage points. The preceding sentence shall  
4 not apply to the 14 percent rate of tax specified  
5 in section 1441(a).

6 “(B) DISPOSITION OF UNITED STATES  
7 REAL PROPERTY INTERESTS.—In the case of  
8 any disposition of a United States real property  
9 interest (as defined in section 897(c)) by an ap-  
10 plicable person described in subsection (a)(1),  
11 the rate of tax specified in section 1445(a) (or  
12 any rate of tax applicable in lieu of such rate)  
13 shall be increased by the applicable number of  
14 percentage points.

15 “(C) OTHER DISPOSITIONS AND DISTRIBUTI-  
16 TIONS RELATED TO UNITED STATES REAL  
17 PROPERTY INTERESTS.—In the case of any dis-  
18 position or distribution described in any para-  
19 graph of section 1445(e), each rate of tax in  
20 such paragraph (or any rate of tax applicable in  
21 lieu of such rate) shall be increased by the ap-  
22 plicable number of percentage points if—

23 “(i) in the case of section 1445(e)(1),  
24 the foreign person referred to in subpara-  
25 graph (A) or (B) of such section is an ap-

1 applicable person described in subsection  
2 (a)(1),

3 “(ii) in the case of section 1445(e)(2),  
4 the foreign corporation referred to in such  
5 section is such an applicable person,

6 “(iii) in the case of section  
7 1445(e)(3), the foreign shareholder re-  
8 ferred to in such section is such an appli-  
9 cable person,

10 “(iv) in the case of section 1445(e)(4),  
11 the foreign person referred to in such sec-  
12 tion is such an applicable person,

13 “(v) in the case of section 1445(e)(5),  
14 the Secretary issues regulations or other  
15 guidance providing for such increase, and

16 “(vi) in the case of section 1445(e)(6),  
17 the nonresident alien individual or foreign  
18 corporation referred to in such section is  
19 such an applicable person.

20 “(3) APPLICABLE NUMBER OF PERCENTAGE  
21 POINTS.—For purposes of this section—

22 “(A) IN GENERAL.—The term ‘applicable  
23 number of percentage points’ means, with re-  
24 spect to any offending foreign country—

1 “(i) 5 percentage points in the case of  
2 the 1-year period beginning on the applica-  
3 ble date with respect to such foreign coun-  
4 try,

5 “(ii) 10 percentage points in the case  
6 of the 1-year period immediately following  
7 the period described in clause (i), and

8 “(iii) 15 percentage points in the case  
9 of any subsequent period.

10 “(B) APPLICATION TO TAXABLE YEARS.—

11 For purposes of paragraph (1), the applicable  
12 number of percentage points is the applicable  
13 number of percentage points in effect for the  
14 offending foreign country during the taxpayer’s  
15 taxable year. If more than one applicable num-  
16 ber of percentage points is in effect for the of-  
17 fending foreign country during the taxpayer’s  
18 taxable year, the applicable number of percent-  
19 age points shall be determined by using a  
20 weighted average rate based on each applicable  
21 number of percentage points in effect during  
22 such taxable year and the number of days dur-  
23 ing which it was in effect. For purposes of the  
24 prior sentence, the applicable number of per-  
25 centage points in effect for the offending for-



1           eign country for the period before the applicable  
2           date is treated as zero, and, if the taxpayer  
3           ceases to be an applicable person during its tax-  
4           able year, the applicable number of percentage  
5           points in effect for the offending foreign coun-  
6           try for the period after the taxpayer ceased to  
7           be an applicable person is treated as zero.

8           “(C)   APPLICATION   TO   WITHHOLDING  
9           TAXES.—For purposes of paragraph (2), the  
10          applicable number of percentage points shall be  
11          determined with respect to the date of the pay-  
12          ment or disposition, as the case may be.

13          “(D)   MULTIPLE   OFFENDING   FOREIGN  
14          COUNTRIES.—For purposes of paragraphs (1)  
15          and (2), if, on any day, the taxpayer is an ap-  
16          plicable person with respect to more than one  
17          offending foreign country, the highest applica-  
18          ble number of percentage points in effect shall  
19          apply.

20          “(E)   INCREASE NOT APPLICABLE TO NON-  
21          OFFENDING FOREIGN COUNTRIES.—In the case  
22          of any foreign country which is not an offend-  
23          ing foreign country, the applicable number of  
24          percentage points is zero.

1           “(4) EXCEPTION FOR CERTAIN AMOUNTS.—Any  
2           increase in a rate of tax under this subsection shall  
3           not apply to amounts received by an applicable per-  
4           son which consist of—

5                   “(A) original issue discount excluded from  
6           the tax imposed under section 871(a)(1) or  
7           881(a)(1),

8                   “(B) portfolio interest—

9                           “(i) excluded under section 871(h)  
10           from the taxes imposed under section  
11           871(a)(1)(A) and (C), and

12                           “(ii) excluded under section 881(c)  
13           from the taxes imposed under section  
14           881(a)(1) and (3),

15                   “(C) certain other interest and interest-re-  
16           lated dividends excluded from tax imposed  
17           under—

18                           “(i) section 871(a)(1)(A) or (C) pur-  
19           suant to subsection (i) or (k) of section  
20           871, and

21                           “(ii) section 881(a)(1) or (3) pursuant  
22           to subsection (d) or (e) of section 881, and

23                   “(D) any similar amounts specified by the  
24           Secretary.

1       “(f) MODIFICATION OF BASE EROSION AND ANTI-  
2 ABUSE TAX.—

3               “(1) IN GENERAL.—In applying section 59A to  
4 an applicable corporation for any taxable year to  
5 which this paragraph applies—

6               “(A) for purposes of determining whether  
7 such corporation is an applicable taxpayer—

8                       “(i) such corporation shall be treated  
9 as described in subparagraph (B) of sec-  
10 tion 59A(e)(1), and

11                      “(ii) section 59A(e)(1)(C) shall be ap-  
12 plied by substituting ‘0.5 percent’ for ‘2  
13 percent’,

14               “(B) section 59A(b)(1) shall be applied by  
15 treating the amount described in section  
16 59A(b)(1)(B)(ii) as being zero,

17               “(C) subsections (c)(2)(B), (c)(4)(B)(ii),  
18 (d)(6), and (i) of section 59A shall not apply,  
19 and

20               “(D) if any amount (other than the pur-  
21 chase price of depreciable or amortizable prop-  
22 erty or inventory) would have been a base ero-  
23 sion payment described in section 59A(d)(1)  
24 but for the fact that the taxpayer capitalizes  
25 the amount, then solely for purposes of calcu-

1           lating the taxpayer’s base erosion payments  
2           (within the meaning of section 59A(d)) and  
3           base erosion tax benefits (within the meaning of  
4           section 59A(c)(2)), such amount shall be treat-  
5           ed as if it had been deducted rather than cap-  
6           italized.

7           “(2) APPLICABLE CORPORATION.—For pur-  
8           poses of this section, the term ‘applicable corpora-  
9           tion’ means—

10               “(A) any domestic corporation (other than  
11               a publicly held corporation) if more than 50  
12               percent of—

13                       “(i) the total combined voting power  
14                       of all classes of stock of such domestic cor-  
15                       poration entitled to vote, or

16                       “(ii) the total value of the stock of  
17                       such domestic corporation,  
18           is owned directly or indirectly by 1 or more ap-  
19           plicable persons with respect to any offending  
20           foreign countries, and

21               “(B) any United States branch of a for-  
22               eign corporation (other than a publicly held cor-  
23               poration) if such corporation is an applicable  
24               person with respect to any offending foreign  
25               country.

1 For purposes of this paragraph, the term ‘publicly  
2 held corporation’ has the meaning given such term  
3 by subsection (b)(3).

4 “(g) APPLICABILITY.—For purposes of this section—

5 “(1) APPLICABLE DATE.—The term ‘applicable  
6 date’ means, with respect to any offending foreign  
7 country, the first day of the first calendar year be-  
8 ginning on or after the latest of—

9 “(A) the date which is 1 year after the  
10 date of the enactment of this section,

11 “(B) the date which is 180 days after the  
12 date of the enactment of the unfair foreign tax  
13 that causes such country to be treated as an of-  
14 fending foreign country, or

15 “(C) the first date that an unfair foreign  
16 tax of such country begins to apply.

17 “(2) PERIODS OF APPLICABILITY.—

18 “(A) TAXABLE YEAR.—In the case of any  
19 applicable person with respect to an offending  
20 foreign country, subsections (e)(1) and (f)(1)  
21 shall apply to each taxable year beginning—

22 “(i) on or after the latest of—

23 “(I) the date which is 1 year  
24 after the date of the enactment of this  
25 section,

1 “(II) the date which is 180 days  
2 after the date of the enactment of the  
3 unfair foreign tax that causes such  
4 country to be treated as an offending  
5 foreign country, or

6 “(III) the first date that an un-  
7 fair foreign tax of such country begins  
8 to apply, and

9 “(ii) before the last date on which the  
10 offending foreign country imposes an un-  
11 fair foreign tax.

12 “(B) WITHHOLDING.—

13 “(i) IN GENERAL.—In the case of any  
14 person, subsection (e)(2) shall apply to  
15 each calendar year beginning during the  
16 period that such person is an applicable  
17 person.

18 “(ii) SAFE HARBOR FOR WITH-  
19 HOLDING.—Subsection (e)(2) shall not  
20 apply—

21 “(I) in the case of any applicable  
22 person to which subclause (II) does  
23 not apply, if the offending foreign  
24 country with respect to which such  
25 person is an applicable person is not

1 listed by the Secretary as an offending  
2 foreign country, and

3 “(II) in the case of any applica-  
4 ble person described in subparagraph  
5 (E) or (F) of subsection (b)(1), if the  
6 offending foreign country with respect  
7 to which such person is an applicable  
8 person (and such country’s applicable  
9 date) has been listed in such guidance  
10 for less than 90 days.

11 “(iii) TEMPORARY SAFE HARBOR FOR  
12 WITHHOLDING AGENTS.—No penalties or  
13 interest shall be imposed with respect to  
14 failures, before January 1, 2027, to deduct  
15 or withhold any amounts by reason of sub-  
16 section (e)(2) if the person required to de-  
17 duct or withhold such amounts dem-  
18 onstrates to the satisfaction of the Sec-  
19 retary that such person made best efforts  
20 to comply with subsection (e)(2) in a time-  
21 ly manner.

22 “(3) COORDINATION WITH SECTION 891.—This  
23 section shall not apply to any specified rate of tax  
24 during any period any increase in such rate is in ef-  
25 fect under section 891.

1 “(h) LIST OF COUNTRIES; NOTICE TO CONGRESS.—

2 The Secretary shall—

3 “(1) maintain a list of offending foreign coun-  
4 tries which includes—

5 “(A) each such country’s applicable date,  
6 and

7 “(B) information as to which of such coun-  
8 tries has only unfair foreign taxes which are  
9 extraterritorial taxes,

10 “(2) update such list on a quarterly basis, and

11 “(3) provide notice to Congress with respect to  
12 changes to the list under paragraph (2),

13 “(i) REGULATIONS AND OTHER GUIDANCE.—The  
14 Secretary shall issue such regulations or other guidance  
15 as may be necessary or appropriate to carry out the pur-  
16 poses of this section, including regulations or other guid-  
17 ance which—

18 “(1) provide for such adjustments to the appli-  
19 cation of this section as are necessary to prevent the  
20 avoidance of the purposes of this section, including  
21 the application of this section (including subpara-  
22 graphs (C) and (E) of subsection (b)(1)) with re-  
23 spect to branches, partnerships, and other entities  
24 (whether or not otherwise disregarded for purposes  
25 of this chapter), and



1 “(2) prevent the application of subsection  
2 (f)(1)(D) from resulting in double counting of  
3 amounts for purposes of section 59A(c)(4)(A)(ii).”.

4 (b) COORDINATION WITH SECTION 891.—Section  
5 891 is amended—

6 (1) by striking “Whenever” and inserting:

7 “(a) IN GENERAL.—Whenever”, and

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

9 “(b) TAXES DEFINED.—For purposes of this section,  
10 the terms ‘extraterritorial tax’ and ‘discriminatory tax’  
11 have the respective meanings given such terms by para-  
12 graphs (3) and (4) of section 899(d).”.

13 (c) CLERICAL AMENDMENT.—The table of sections  
14 for subpart D of part II of subchapter N of chapter 1  
15 is amended by adding at the end the following new item:

“Sec. 899. Enforcement of remedies against unfair foreign taxes.”.

16 **CHAPTER 4—INVESTING IN AMERICAN**  
17 **FAMILIES, COMMUNITIES, AND SMALL**  
18 **BUSINESSES**

19 **Subchapter A—Permanent Investments in**  
20 **Families and Children**

21 **SEC. 70401. ENHANCEMENT OF EMPLOYER-PROVIDED**  
22 **CHILD CARE CREDIT.**

23 (a) INCREASE OF AMOUNT OF QUALIFIED CHILD  
24 CARE EXPENDITURES TAKEN INTO ACCOUNT.—Section  
25 45F(a)(1) is amended by striking “25 percent” and in-

1 setting “40 percent (50 percent in the case of an eligible  
2 small business)”.

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

5 “(b) DOLLAR LIMITATION.—

6 “(1) IN GENERAL.—The credit allowable under  
7 subsection (a) for any taxable year shall not exceed  
8 \$500,000 (\$600,000 in the case of an eligible small  
9 business).

10 “(2) INFLATION ADJUSTMENT.—In the case of  
11 any taxable year beginning after 2026, the  
12 \$500,000 and \$600,000 amounts in paragraph (1)  
13 shall each be increased by an amount equal to—

14 “(A) such dollar amount, multiplied by

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

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

24 “(4) ELIGIBLE SMALL BUSINESS.—The term  
25 ‘eligible small business’ means a business that meets

1 the gross receipts test of section 448(c), deter-  
2 mined—

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

5 “(B) by substituting ‘5-year’ for ‘3-year’ in  
6 paragraph (3)(A) thereof.”.

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

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

16 “(C) TREATMENT OF JOINTLY OWNED OR  
17 OPERATED CHILD CARE FACILITY.—A facility  
18 shall not fail to be treated as a qualified child  
19 care facility of the taxpayer merely because  
20 such facility is jointly owned or operated by the  
21 taxpayer and other persons.”.

22 (f) REGULATIONS AND GUIDANCE.—Section 45F is  
23 amended by adding at the end the following new sub-  
24 section:

1       “(g) REGULATIONS AND GUIDANCE.—The Secretary  
2 shall issue such regulations or other guidance as may be  
3 necessary to carry out the purposes of this section, includ-  
4 ing guidance to carry out the purposes of paragraphs  
5 (1)(A)(iii) and (2)(C) of subsection (c).”.

6       (g) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to amounts paid or incurred after  
8 December 31, 2025.

9       **SEC. 70402. ENHANCEMENT OF ADOPTION CREDIT.**

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

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

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

19       “(h) ADJUSTMENTS FOR INFLATION.—

20               “(1) IN GENERAL.—In the case of a taxable  
21 year beginning after December 31, 2002, each of the  
22 dollar amounts in paragraphs (3) and (4) of sub-  
23 section (a) and paragraphs (1) and (2)(A)(i) of sub-  
24 section (b) shall be increased by an amount equal  
25 to—

1 “(A) such dollar amount, multiplied by

2 “(B) the cost-of-living adjustment deter-  
3 mined under section 1(f)(3) for the calendar  
4 year in which the taxable year begins, deter-  
5 mined by substituting ‘calendar year 2001’ for  
6 ‘calendar year 2016’ in subparagraph (A)(ii)  
7 thereof.

8 “(2) ROUNDING.—If any amount as increased  
9 under paragraph (1) is not a multiple of \$10, such  
10 amount shall be rounded to the nearest multiple of  
11 \$10.

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

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

17 “(B) by substituting ‘calendar year 2024’  
18 for ‘calendar year 2001’ in subparagraph (B)  
19 thereof.”.

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

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

4 **SEC. 70403. RECOGNIZING INDIAN TRIBAL GOVERNMENTS**  
5 **FOR PURPOSES OF DETERMINING WHETHER**  
6 **A CHILD HAS SPECIAL NEEDS FOR PURPOSES**  
7 **OF THE ADOPTION CREDIT.**

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

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

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

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

16 **SEC. 70404. ENHANCEMENT OF THE DEPENDENT CARE AS-**  
17 **SISTANCE PROGRAM.**

18 (a) IN GENERAL.—Section 129(a)(2)(A) is amended  
19 by striking “\$5,000 (\$2,500” and inserting “\$7,500  
20 (\$3,750”.

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

1 **SEC. 70405. ENHANCEMENT OF CHILD AND DEPENDENT**  
2 **CARE TAX CREDIT.**

3 (a) IN GENERAL.—Paragraph (2) of section 21(a) is  
4 amended to read as follows:

5 “(2) APPLICABLE PERCENTAGE DEFINED.—For  
6 purposes of paragraph (1), the term ‘applicable per-  
7 centage’ means 50 percent—

8 “(A) reduced (but not below 35 percent)  
9 by 1 percentage point for each \$2,000 or frac-  
10 tion thereof by which the taxpayer’s adjusted  
11 gross income for the taxable year exceeds  
12 \$15,000, and

13 “(B) further reduced (but not below 20  
14 percent) by 1 percentage point for each \$2,000  
15 (\$4,000 in the case of a joint return) or frac-  
16 tion thereof by which the taxpayer’s adjusted  
17 gross income for the taxable year exceeds  
18 \$75,000 (\$150,000 in the case of a joint re-  
19 turn).”.

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

1 **Subchapter B—Permanent Investments in**  
2 **Students and Reforms to Tax-exempt In-**  
3 **stitutions**

4 **SEC. 70411. TAX CREDIT FOR CONTRIBUTIONS OF INDIVID-**  
5 **UALS TO SCHOLARSHIP GRANTING ORGANI-**  
6 **ZATIONS.**

7 (a) ALLOWANCE OF CREDIT FOR CONTRIBUTIONS OF  
8 INDIVIDUALS TO SCHOLARSHIP GRANTING ORGANIZA-  
9 TIONS.—

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 who is a citizen or resident of the United States  
17 (within the meaning of section 7701(a)(9)), there shall be  
18 allowed as a credit against the tax imposed by this chapter  
19 for the taxable year an amount equal to the aggregate  
20 amount of qualified contributions made by the taxpayer  
21 during the taxable year.

22 “(b) LIMITATIONS.—

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



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

3           “(B) \$5,000.

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

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

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

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

20                       “(A) is a member of a household with an  
21                       income which, for the calendar year prior to the  
22                       date of the application for a scholarship, is not  
23                       greater than 300 percent of the area median  
24                       gross income (as such term is used in section  
25                       42), and

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

3           “(2) QUALIFIED CONTRIBUTION.—The term  
4           ‘qualified contribution’ means a charitable contribu-  
5           tion (as defined by section 170(c)) to a scholarship  
6           granting organization in the form of cash or publicly  
7           traded securities (as defined in section  
8           6050L(a)(2)(B)).

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

16               “(A) Tuition.

17               “(B) Curriculum and curricular materials.

18               “(C) Books or other instructional mate-  
19          rials.

20               “(D) Online educational materials.

21               “(E) Tuition for tutoring or educational  
22          classes outside of the home, including at a tu-  
23          toring facility, but only if the tutor or instruc-  
24          tor does not bear a relationship to the student  
25          which is described in section 152(d)(2) and—

1 “(i) is licensed as a teacher in any  
2 State,

3 “(ii) has taught at—

4 “(I) a public or private elemen-  
5 tary or secondary school, or

6 “(II) an institution of higher  
7 education (as defined in section  
8 101(a) of the Higher Education Act  
9 of 1965 (20 U.S.C. 1001(a))), or

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

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

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

18 “(H) Educational therapies for students  
19 with disabilities provided by a licensed or ac-  
20 credited practitioner or provider, including oc-  
21 cupational, behavioral, physical, and speech-lan-  
22 guage therapies, but only if the practitioner or  
23 provider does not bear a relationship to the stu-  
24 dent which is described in section 152(d)(2).

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

4                   “(A) which—

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

8                           “(ii) is not a private foundation,

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

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

17                   “(D) which satisfies the requirements of  
18                   subsection (d).

19           “(d) REQUIREMENTS FOR SCHOLARSHIP GRANTING  
20           ORGANIZATIONS.—

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

23                           “(A) such organization provides scholar-  
24                           ships to 10 or more students who do not all at-  
25                           tend the same school,

1           “(B) such organization does not provide  
2           scholarships for any expenses other than quali-  
3           fied elementary or secondary education ex-  
4           penses,

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

7                 “(i) students awarded a scholarship  
8                 the previous school year, and

9                 “(ii) after application of clause (i),  
10                any eligible students who have a sibling  
11                who was awarded a scholarship from such  
12                organization,

13           “(D) such organization does not earmark  
14           or set aside contributions for scholarships on  
15           behalf of any particular student,

16           “(E) such organization—

17                 “(i) verifies the annual household in-  
18                 come and family size of eligible students  
19                 who apply for scholarships in a manner  
20                 which complies with the requirement de-  
21                 scribed in paragraph (2), and

22                 “(ii) limits the awarding of scholar-  
23                 ships to eligible students who are a mem-  
24                 ber of a household for which the income

1 does not exceed the amount established  
2 under subsection (c)(1)(A),

3 “(F) such organization—

4 “(i) obtains from an independent cer-  
5 tified public accountant annual financial  
6 and compliance audits, and

7 “(ii) certifies to the Secretary (at such  
8 time, and in such form and manner, as the  
9 Secretary may prescribe) that the audit de-  
10 scribed in clause (i) has been completed,  
11 and

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

14 “(2) INCOME VERIFICATION.—The requirement  
15 described in this paragraph is that the organization  
16 review all of the following documents which are ap-  
17 plicable with respect to members of the household of  
18 the applicant for the calendar year prior to applica-  
19 tion for a scholarship:

20 “(A) Federal and State income tax returns  
21 or tax return transcripts with applicable sched-  
22 ules.

23 “(B) Income reporting statements for tax  
24 purposes or wage and income transcripts from  
25 the Internal Revenue Service.

1           “(C) Notarized income verification letter  
2           from employers.

3           “(D) Unemployment or workers compensa-  
4           tion statements.

5           “(E) Benefit verification letters regarding  
6           public assistance payments and Supplemental  
7           Nutrition Assistance Program payments, in-  
8           cluding a list of household members.

9           “(3) INDEPENDENT CERTIFIED PUBLIC AC-  
10          COUNTANT.—For purposes of paragraph (1)(F), the  
11          term ‘independent certified public accountant’  
12          means, with respect to an organization, a certified  
13          public accountant who is not a person described in  
14          section 465(b)(3)(A) with respect to such organiza-  
15          tion or any employee of such organization.

16          “(4) PROHIBITION ON SELF-DEALING.—

17                 “(A) IN GENERAL.—A scholarship grant-  
18                 ing organization may not award a scholarship  
19                 to—

20                         “(i) any disqualified person, or

21                         “(ii) an eligible student if, during the  
22                         taxable year or the period of the 3 taxable  
23                         years preceding such taxable year, such  
24                         scholarship granting organization has re-  
25                         ceived a qualified contribution from an in-

1           dividual who bears a relationship to such  
2           student which is described in section  
3           152(d)(2).

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) RULE OF CONSTRUCTION.—Nothing in this sec-  
4 tion shall be construed to permit, allow, encourage, or au-  
5 thorize any Federal control over any aspect of any private  
6 or religious school.

7 “(h) VOLUME CAP.—

8 “(1) IN GENERAL.—The volume cap applicable  
9 under this section shall be \$4,000,000,000 for cal-  
10 endar year 2027 and each calendar year thereafter.  
11 Such amount shall be allocated by the Secretary as  
12 provided in paragraph (2) to taxpayers with respect  
13 to qualified contributions made by such taxpayers,  
14 except that 10 percent of such amount shall be di-  
15 vided evenly among the States, and shall be available  
16 with respect to individuals residing in such States.

17 “(2) FIRST-COME, FIRST-SERVED.—For pur-  
18 poses of applying the volume cap under this section,  
19 such volume cap for any calendar year shall be allo-  
20 cated by the Secretary on a first-come, first-served  
21 basis, as determined based on the time (during such  
22 calendar year) at which the taxpayer made the quali-  
23 fied contribution with respect to which the allocation  
24 is made. The Secretary shall not make any alloca-

1       tion of the volume cap for any calendar year after  
2       December 31 of such calendar year.

3           “(3) REAL-TIME INFORMATION.—For purposes  
4       of this section, the Secretary shall develop a system  
5       to track the amount of qualified contributions made  
6       during the calendar year for which a credit may be  
7       claimed under this section, with such information to  
8       be updated in real time.

9           “(4) STATE.—For purposes of this subsection,  
10      the term ‘State’ means only the States and the Dis-  
11      trict of Columbia.

12      “(i) REGULATIONS AND GUIDANCE.—The Secretary  
13      shall issue such regulations or other guidance as the Sec-  
14      retary determines necessary to carry out the purposes of  
15      this section, including regulations or other guidance—

16           “(1) providing for enforcement of the require-  
17      ments under subsection (d)(4), and

18           “(2) with respect to recordkeeping or informa-  
19      tion reporting for purposes of administering the re-  
20      quirements of this section.”.

21      (2) CONFORMING AMENDMENTS.—

22           (A) Section 25(e)(1)(C) is amended by  
23      striking “and 25D” and inserting “25D, and  
24      25F”.

1 (B) The table of sections for subpart A of  
2 part IV of subchapter A of chapter 1 is amend-  
3 ed by inserting after the item relating to section  
4 25E the following new item:

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

5 (b) EXCLUSION FROM GROSS INCOME FOR SCHOLAR-  
6 SHIPS FOR QUALIFIED ELEMENTARY OR SECONDARY  
7 EDUCATION EXPENSES OF ELIGIBLE STUDENTS.—

8 (1) IN GENERAL.—Part III of subchapter B of  
9 chapter 1 is amended by inserting before section 140  
10 the following new section:

11 **“SEC. 139J. SCHOLARSHIPS FOR QUALIFIED ELEMENTARY**  
12 **OR SECONDARY EDUCATION EXPENSES OF**  
13 **ELIGIBLE STUDENTS.**

14 “(a) IN GENERAL.—In the case of an individual,  
15 gross income shall not include any amounts provided to  
16 such individual or any dependent of such individual pursu-  
17 ant to a scholarship for qualified elementary or secondary  
18 education expenses of an eligible student which is provided  
19 by a scholarship granting organization.

20 “(b) DEFINITIONS.—In this section, the terms ‘quali-  
21 fied elementary or secondary education expense’, ‘eligible  
22 student’, and ‘scholarship granting organization’ have the  
23 same meaning given such terms under section 25F(c).”.

24 (2) CONFORMING AMENDMENT.—The table of  
25 sections for part III of subchapter B of chapter 1

1 is amended by inserting before the item relating to  
2 section 140 the following new item:

“Sec. 139J. Scholarships for qualified elementary or secondary education expenses of eligible students.”.

3 (c) FAILURE OF SCHOLARSHIP GRANTING ORGANI-  
4 ZATIONS TO MAKE DISTRIBUTIONS.—

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

7 **“Subchapter I—Scholarship Granting**  
8 **Organizations**

“Sec. 4969. Failure to distribute receipts.

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

10 “(a) IN GENERAL.—In the case of any scholarship  
11 granting organization (as defined in section 25F) which  
12 has been determined by the Secretary to have failed to  
13 satisfy the requirement under subsection (b) for any tax-  
14 able year, any contribution made to such organization dur-  
15 ing the first taxable year beginning after the date of such  
16 determination shall not be treated as a qualified contribu-  
17 tion (as defined in section 25F(c)(2)) for purposes of sec-  
18 tion 25F.

19 “(b) REQUIREMENT.—The requirement described in  
20 this subsection is that the amount of receipts of the schol-  
21 arship granting organization for the taxable year which  
22 are distributed before the distribution deadline with re-

1 spect to such receipts shall not be less than the required  
2 distribution amount with respect to such taxable year.

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

4 “(1) REQUIRED DISTRIBUTION AMOUNT.—

5 “(A) IN GENERAL.—The required distribu-  
6 tion amount with respect to a taxable year is  
7 the amount equal to 100 percent of the total re-  
8 cepts of the scholarship granting organization  
9 for such taxable year—

10 “(i) reduced by the sum of such re-  
11 cepts that are retained for reasonable ad-  
12 ministrative expenses for the taxable year  
13 or are carried to the succeeding taxable  
14 year under subparagraph (C), and

15 “(ii) increased by the amount of the  
16 carryover under subparagraph (C) from  
17 the preceding taxable year.

18 “(B) SAFE HARBOR FOR REASONABLE AD-  
19 MINISTRATIVE EXPENSES.—For purposes of  
20 subparagraph (A)(i), if the percentage of total  
21 receipts of a scholarship granting organization  
22 for a taxable year which are used for adminis-  
23 trative expenses is equal to or less than 10 per-  
24 cent, such expenses shall be deemed to be rea-  
25 sonable for purposes of such subparagraph.

1           “(C) CARRYOVER.—With respect to the  
2           amount of the total receipts of a scholarship  
3           granting organization with respect to any tax-  
4           able year, an amount not greater than 15 per-  
5           cent of such amount may, at the election of  
6           such organization, be carried to the succeeding  
7           taxable year.

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

13          “(3) DISTRIBUTION DEADLINE.—The distribu-  
14          tion deadline with respect to receipts for a taxable  
15          year is the first day of the third taxable year fol-  
16          lowing the taxable year in which such receipts are  
17          received by the scholarship granting organization.

18          “(d) REGULATIONS AND GUIDANCE.—The Secretary  
19          shall issue such regulations or other guidance as the Sec-  
20          retary determines necessary to carry out the purposes of  
21          this section, including regulations or other guidance which  
22          provides for requirements for recordkeeping or informa-  
23          tion reporting for purposes of administering the require-  
24          ments of this section.”.

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           (d) EFFECTIVE DATE.—

5           (1) IN GENERAL.—Except as otherwise pro-  
6           vided in this subsection, the amendments made by  
7           this section shall apply to taxable years ending after  
8           December 31, 2026.

9           (2) EXCLUSION FROM GROSS INCOME.—The  
10          amendments made by subsection (b) shall apply to  
11          amounts received after December 31, 2026, in tax-  
12          able years ending after such date.

13   **SEC. 70412. EXCLUSION FOR EMPLOYER PAYMENTS OF STU-**  
14                   **DENT LOANS.**

15          (a) IN GENERAL.—Section 127(c)(1)(B) is amended  
16          by striking “in the case of payments made before January  
17          1, 2026,”.

18          (b) INFLATION ADJUSTMENT.—Section 127 is  
19          amended—

20               (1) by redesignating subsection (d) as sub-  
21               section (e), and

22               (2) by inserting after subsection (c) the fol-  
23               lowing new subsection:

24               “(d) INFLATION ADJUSTMENT.—

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

5 “(A) such dollar amount, multiplied by

6 “(B) the cost-of-living adjustment deter-  
7 mined under section 1(f)(3) for the calendar  
8 year in which the taxable year begins, deter-  
9 mined by substituting ‘calendar year 2025’ for  
10 ‘calendar year 2016’ in subparagraph (A)(ii)  
11 thereof.

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

15 (c) EFFECTIVE DATE.—The amendment made by  
16 this section shall apply to payments made after December  
17 31, 2025.

18 **SEC. 70413. ADDITIONAL EXPENSES TREATED AS QUALI-**  
19 **FIED HIGHER EDUCATION EXPENSES FOR**  
20 **PURPOSES OF 529 ACCOUNTS.**

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

23 “(7) TREATMENT OF ELEMENTARY AND SEC-  
24 ONDARY TUITION.—Any reference in this section to  
25 the term ‘qualified higher education expense’ shall



1 include a reference to the following expenses in con-  
2 nection with enrollment or attendance at, or for stu-  
3 dents enrolled at or attending, an elementary or sec-  
4 ondary public, private, or religious school:

5 “(A) Tuition.

6 “(B) Curriculum and curricular materials.

7 “(C) Books or other instructional mate-  
8 rials.

9 “(D) Online educational materials.

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

14 “(i) is licensed as a teacher in any  
15 State,

16 “(ii) has taught at an eligible edu-  
17 cational institution, or

18 “(iii) is a subject matter expert in the  
19 relevant subject.

20 “(F) Fees for a nationally standardized  
21 norm-referenced achievement test, an advanced  
22 placement examination, or any examinations re-  
23 lated to college or university admission.

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

“(H) Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies.”.

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

9 SEC. 70414. CERTAIN POSTSECONDARY CREDENTIALING  
10 EXPENSES TREATED AS QUALIFIED HIGHER  
11 EDUCATION EXPENSES FOR PURPOSES OF  
12 529 ACCOUNTS.

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

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

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

24 “(f) QUALIFIED POSTSECONDARY CREDENTIALING  
25 EXPENSES.—For purposes of this section—

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

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

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

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

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

23          “(A) such program is included on a State  
24      list prepared under section 122(d) of the Work-

1 force Innovation and Opportunity Act (29  
2 U.S.C. 3152(d)),

3 “(B) such program is listed in the public  
4 directory of the Web Enabled Approval Man-  
5 agement System (WEAMS) of the Veterans  
6 Benefits Administration, or successor directory  
7 such program,

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

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

21 “(3) RECOGNIZED POSTSECONDARY CREDEN-  
22 TIAL.—The term ‘recognized postsecondary creden-  
23 tial’ means—

24 “(A) any postsecondary employment cre-  
25 dential that is industry recognized and is—

1                   “(i) any postsecondary employment  
2                   credential issued by a program that is ac-  
3                   credited by the Institute for Credentialing  
4                   Excellence, the National Commission on  
5                   Certifying Agencies, or the American Na-  
6                   tional Standards Institute,

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

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

19                  “(B) any certificate of completion of an  
20                  apprenticeship that is registered and certified  
21                  with the Secretary of Labor under the Act of  
22                  August 16, 1937 (commonly known as the ‘Na-  
23                  tional Apprenticeship Act’; 50 Stat. 664, chap-  
24                  ter 663; 29 U.S.C. 50 et seq.),

1           “(C) any occupational or professional li-  
2           cense issued or recognized by a State or the  
3           Federal Government (and any certification that  
4           satisfies a condition for obtaining such a li-  
5           cense), and

6           “(D) any recognized postsecondary creden-  
7           tial as defined in section 3(52) of the Workforce  
8           Innovation and Opportunity Act (29 U.S.C.  
9           3102(52)), provided through a program de-  
10          scribed in paragraph (2)(A).”.

11       (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to distributions made after the  
13 date of the enactment of this Act.

14   **SEC. 70415. MODIFICATION OF EXCISE TAX ON INVESTMENT**  
15                   **INCOME OF CERTAIN PRIVATE COLLEGES**  
16                   **AND UNIVERSITIES.**

17       (a) IN GENERAL.—Section 4968 is amended to read  
18 as follows:

19   **“SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME**  
20                   **OF PRIVATE COLLEGES AND UNIVERSITIES.**

21       “(a) TAX IMPOSED.—There is hereby imposed on  
22 each applicable educational institution for the taxable year  
23 a tax equal to the applicable percentage of the net invest-  
24 ment income of such institution for the taxable year.

1 “(b) APPLICABLE PERCENTAGE.—For purposes of  
2 this section, the term ‘applicable percentage’ means—

3 “(1) 1.4 percent in the case of an institution  
4 with a student adjusted endowment of at least  
5 \$500,000, and not in excess of \$750,000,

6 “(2) 4 percent in the case of an institution with  
7 a student adjusted endowment in excess of  
8 \$750,000, and not in excess of \$2,000,000, and

9 “(3) 8 percent in the case of an institution with  
10 a student adjusted endowment in excess of  
11 \$2,000,000.

12 “(c) APPLICABLE EDUCATIONAL INSTITUTION.—

13 “(1) IN GENERAL.—For purposes of this sub-  
14 chapter, the term ‘applicable educational institution’  
15 means an eligible educational institution (as defined  
16 in section 25A(f)(2))—

17 “(A) which had at least 500 tuition-paying  
18 students during the preceding taxable year,

19 “(B) more than 50 percent of the tuition-  
20 paying students of which are located in the  
21 United States,

22 “(C) which is not—

23 “(i) described in the first sentence of  
24 section 511(a)(2)(B) (relating to State col-  
25 leges and universities), or

1 “(ii) a qualified religious institution,

2 “(D) which participated in a program  
3 under title IV of the Higher Education Act of  
4 1965 during the preceding taxable year, and

5 “(E) the student adjusted endowment of  
6 which is at least \$500,000.

7 “(2) QUALIFIED RELIGIOUS INSTITUTION.—For  
8 purposes of paragraph (1), the term ‘qualified reli-  
9 gious institution’ means any institution—

10 “(A) which was established after July 4,  
11 1776,

12 “(B) which was established by or in asso-  
13 ciation with, and has continuously maintained  
14 an affiliation with, an organization described in  
15 section 170(b)(1)(A)(i), and

16 “(C) which maintains a published institu-  
17 tional mission which is approved by the gov-  
18 erning body of such institution and which in-  
19 cludes, refers to, or is predicated upon religious  
20 tenets, beliefs, or teachings.

21 “(d) STUDENT ADJUSTED ENDOWMENT.—

22 “(1) IN GENERAL.—For purposes of this sec-  
23 tion, the term ‘student adjusted endowment’ means,  
24 with respect to any institution for any taxable  
25 year—



1           “(A) the aggregate fair market value of  
2           the assets of such institution (determined as of  
3           the end of the preceding taxable year), other  
4           than those assets which are used directly in car-  
5           rying out the institution’s exempt purpose, di-  
6           vided by

7           “(B) the number of eligible students of  
8           such institution.

9           “(2) ELIGIBLE STUDENT.—For purposes of  
10          paragraph (1), the term ‘eligible student’ means a  
11          student of the institution who meets the student eli-  
12          gibility requirements under section 484(a)(5) of the  
13          Higher Education Act of 1965.

14          “(e) DETERMINATION OF NUMBER OF STUDENTS.—  
15          For purposes of subsections (c)(1) and (d), the number  
16          of students of an institution (including for purposes of de-  
17          termining the number of students at a particular location)  
18          shall be based on the daily average number of full-time  
19          students attending such institution (with part-time stu-  
20          dents taken into account on a full-time student equivalent  
21          basis).

22          “(f) NET INVESTMENT INCOME.—For purposes of  
23          this section—

1           “(1) IN GENERAL.—Net investment income  
2       shall be determined under rules similar to the rules  
3       of section 4940(c).

4           “(2) OVERRIDE OF CERTAIN REGULATORY EX-  
5       CEPTIONS.—

6           “(A) STUDENT LOAN INTEREST.—Net in-  
7       vestment income shall be determined by taking  
8       into account any interest income from a student  
9       loan made by the applicable educational institu-  
10      tion (or any related organization) as gross in-  
11      vestment income.

12          “(B) FEDERALLY-SUBSIDIZED ROYALTY  
13      INCOME.—

14           “(i) IN GENERAL.—Net investment in-  
15      come shall be determined by taking into  
16      account any Federally-subsidized royalty  
17      income as gross investment income.

18           “(ii) FEDERALLY-SUBSIDIZED ROY-  
19      ALTY INCOME.—For purposes of this sub-  
20      paragraph—

21           “(I) IN GENERAL.—The term  
22      ‘Federally-subsidized royalty income’  
23      means any otherwise-regulatory-ex-  
24      empt royalty income if any Federal  
25      funds were used in the research, de-

1 velopment, or creation of the patent,  
2 copyright, or other intellectual or in-  
3 tangible property from which such  
4 royalty income is derived.

5 “(II) OTHERWISE-REGULATORY-  
6 EXEMPT ROYALTY INCOME.—For pur-  
7 poses of this subparagraph, the term  
8 ‘otherwise-regulatory-exempt royalty  
9 income’ means royalty income which  
10 (but for this subparagraph) would not  
11 be taken into account as gross invest-  
12 ment income by reason of being de-  
13 rived from patents, copyrights, or  
14 other intellectual or intangible prop-  
15 erty which resulted from the work of  
16 students or faculty members in their  
17 capacities as such with the applicable  
18 educational institution.

19 “(III) FEDERAL FUNDS.—The  
20 term ‘Federal funds’ includes any  
21 grant made by, and any payment  
22 made under any contract with, any  
23 Federal agency to the applicable edu-  
24 cational institution, any related orga-

1                   nization, or any student or faculty  
2                   member referred to in subclause (II).

3           “(g) ASSETS AND NET INVESTMENT INCOME OF RE-  
4   LATED ORGANIZATIONS.—

5           “(1) IN GENERAL.—For purposes of sub-  
6   sections (d) and (f), assets and net investment in-  
7   come of any related organization with respect to an  
8   educational institution shall be treated as assets and  
9   net investment income, respectively, of the edu-  
10   cational institution, except that—

11           “(A) no such amount shall be taken into  
12   account with respect to more than 1 educational  
13   institution, and

14           “(B) unless such organization is controlled  
15   by such institution or is described in section  
16   509(a)(3) with respect to such institution for  
17   the taxable year, assets and net investment in-  
18   come which are not intended or available for  
19   the use or benefit of the educational institution  
20   shall not be taken into account.

21           “(2) RELATED ORGANIZATION.—For purposes  
22   of this subsection, the term ‘related organization’  
23   means, with respect to an educational institution,  
24   any organization which—

1                   “(A) controls, or is controlled by, such in-  
2                   stitution,

3                   “(B) is controlled by 1 or more persons  
4                   which also control such institution, or

5                   “(C) is a supported organization (as de-  
6                   fined in section 509(f)(3)), or an organization  
7                   described in section 509(a)(3), during the tax-  
8                   able year with respect to such institution.

9           “(h) REGULATIONS.—The Secretary shall prescribe  
10 such regulations or other guidance as may be necessary  
11 to prevent avoidance of the tax under this section, includ-  
12 ing regulations or other guidance to prevent avoidance of  
13 such tax through the restructuring of endowment funds  
14 or other arrangements designed to reduce or eliminate the  
15 value of net investment income or assets subject to the  
16 tax imposed by this section.”.

17           (b) REQUIREMENT TO REPORT CERTAIN INFORMA-  
18 TION WITH RESPECT TO APPLICATION OF EXCISE TAX  
19 BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES  
20 AND UNIVERSITIES.—Section 6033 is amended by redes-  
21 ignating subsection (o) as subsection (p) and by inserting  
22 after subsection (n) the following new subsection:

23           “(o) REQUIREMENT TO REPORT CERTAIN INFORMA-  
24 TION WITH RESPECT TO EXCISE TAX BASED ON INVEST-  
25 MENT INCOME OF PRIVATE COLLEGES AND UNIVER-

1 SITIES.—Each applicable educational institution described  
2 in section 4968(c) which is subject to the requirements  
3 of subsection (a) shall include on the return required  
4 under subsection (a)—

5 “(1) the number of tuition-paying students  
6 taken into account under section 4968(c)(1),

7 “(2) the number of eligible students taken into  
8 account under section 4968(d), and

9 “(3) the number of students of such institution  
10 (determined under the rules of section 4968(e)).”.

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

14 **SEC. 70416. EXPANDING APPLICATION OF TAX ON EXCESS**  
15 **COMPENSATION WITHIN TAX-EXEMPT ORGA-**  
16 **NIZATIONS.**

17 (a) IN GENERAL.—Section 4960(c)(2) is amended to  
18 read as follows:

19 “(2) COVERED EMPLOYEE.—For purposes of  
20 this section, the term ‘covered employee’ means any  
21 employee (including any former employee) of an ap-  
22 plicable tax-exempt organization.”.

23 (b) EFFECTIVE DATE.—The amendment made by  
24 subsection (a) shall apply to taxable years beginning after  
25 December 31, 2025.

1     **Subchapter C—Permanent Investments in**  
2                     **Community Development**

3     **SEC. 70421. PERMANENT RENEWAL AND ENHANCEMENT OF**  
4                     **OPPORTUNITY ZONES.**

5             (a) DECENNIAL DESIGNATIONS.—

6                     (1) DETERMINATION PERIOD.—Section 1400Z-  
7             1(c)(2)(B) is amended by striking “beginning on the  
8             date of the enactment of the Tax Cuts and Jobs  
9             Act” and inserting “beginning on the decennial de-  
10            termination date”.

11                    (2) DECENNIAL DETERMINATION DATE.—Sec-  
12             tion 1400Z-1(c)(2) is amended by adding at the end  
13             the following new subparagraph:

14                           “(C)       DECENNIAL       DETERMINATION  
15             DATE.—The term ‘decennial determination  
16             date’ means—

17                                   “(i) July 1, 2026, and

18                                   “(ii) each July 1 of the year that is  
19             10 years after the preceding decennial de-  
20             termination date under this subpara-  
21             graph.”.

22                    (3) REPEAL OF SPECIAL RULE FOR PUERTO  
23             RICO.—Section 1400Z-1(b) is amended by striking  
24             paragraph (3).

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1           (4) LIMITATION ON NUMBER OF DESIGNA-  
2           TIONS.—Section 1400Z-1(d)(1) is amended—

3           (A) in paragraph (1)—

4                 (i) by striking “and subsection  
5                 (b)(3)”, and

6                 (ii) by inserting “during any period”  
7                 after “the number of population census  
8                 tracts in a State that may be designated as  
9                 qualified opportunity zones under this sec-  
10                tion”, and

11           (B) in paragraph (2), by inserting “during  
12           any period” before the period at the end.

13           (5) EFFECTIVE DATES.—

14           (A) IN GENERAL.—Except as provided in  
15           paragraph (2), the amendments made by this  
16           subsection shall take effect on the date of the  
17           enactment of this Act.

18           (B) PUERTO RICO.—The amendment made  
19           by paragraph (3) shall take effect on December  
20           31, 2026.

21           (b) QUALIFICATION FOR DESIGNATIONS.—

22           (1) DETERMINATION OF LOW-INCOME COMMU-  
23           NITIES.—Section 1400Z-1(c) is amended by striking  
24           all that precedes paragraph (2) and inserting the  
25           following:



1       “(c) OTHER DEFINITIONS.—For purposes of this  
2 section—

3               “(1) LOW-INCOME COMMUNITIES.—The term  
4       ‘low-income community’ means any population cen-  
5       sus tract if—

6               “(A) such population census tract has a  
7       median family income that—

8               “(i) in the case of a population census  
9       tract not located within a metropolitan  
10       area, does not exceed 70 percent of the  
11       statewide median family income, or

12              “(ii) in the case of a population cen-  
13       sus tract located within a metropolitan  
14       area, does not exceed 70 percent of the  
15       metropolitan area median family income,  
16       or

17              “(B) such population census tract—

18              “(i) has a poverty rate of at least 20  
19       percent, and

20              “(ii) has a median family income  
21       that—

22              “(I) in the case of a population  
23       census tract not located within a met-  
24       ropolitan area, does not exceed 125

1 percent of the statewide median fam-  
2 ily income, or

3 “(II) in the case of a population  
4 census tract located within a metro-  
5 politan area, does not exceed 125 per-  
6 cent of the metropolitan area median  
7 family income.”.

8 (2) REPEAL OF RULE FOR CONTIGUOUS CEN-  
9 SUS TRACTS.—Section 1400Z-1 is amended by strik-  
10 ing subsection (e) and by redesignating subsection  
11 (f) as subsection (e).

12 (3) PERIOD FOR WHICH DESIGNATION IS IN EF-  
13 FECT.—Section 1400Z-1(e), as redesignated by  
14 paragraph (2), is amended to read as follows:

15 “(e) PERIOD FOR WHICH DESIGNATION IS IN EF-  
16 FECT.—

17 “(1) IN GENERAL.—A designation as a quali-  
18 fied opportunity zone shall remain in effect for the  
19 period beginning on the applicable start date and  
20 ending on the day before the date that is 10 years  
21 after the applicable start date.

22 “(2) APPLICABLE START DATE.—For purposes  
23 of this section, the term ‘applicable start date’  
24 means, with respect to any qualified opportunity  
25 zone designated under this section, the January 1

1 following the date on which such qualified oppor-  
2 tunity zone was certified and designated by the Sec-  
3 retary under subsection (b)(1)(B).”.

4 (4) EFFECTIVE DATE.—The amendments made  
5 by this subsection shall apply to areas designated  
6 under section 1400Z-1 of the Internal Revenue Code  
7 of 1986 after the date of the enactment of this Act.

8 (c) APPLICATION OF SPECIAL RULES FOR CAPITAL  
9 GAINS.—

10 (1) REPEAL OF SUNSET ON ELECTION.—Sec-  
11 tion 1400Z-2(a)(2) is amended to read as follows:

12 “(2) ELECTION.—No election may be made  
13 under paragraph (1) with respect to a sale or ex-  
14 change if an election previously made with respect to  
15 such sale or exchange is in effect.”.

16 (2) MODIFICATION OF RULES FOR DEFERRAL  
17 OF GAIN.—Section 1400Z-2(b) is amended to read  
18 as follows:

19 “(b) DEFERRAL OF GAIN INVESTED IN OPPOR-  
20 TUNITY ZONE PROPERTY.—

21 “(1) YEAR OF INCLUSION.—

22 “(A) IN GENERAL.—Gain to which sub-  
23 section (a)(1)(B) applies shall be included in  
24 gross income in the taxable year which includes  
25 the earlier of—

1 “(i) the date on which such invest-  
2 ment is sold or exchanged, or

3 “(ii) the first decennial recognition  
4 date occurring after the date of the invest-  
5 ment.

6 “(B) DECENNIAL RECOGNITION DATE.—  
7 For purposes of this subsection, the term ‘de-  
8 cennial recognition date’ means—

9 “(i) December 31, 2033, and

10 “(ii) each December 31 of the year  
11 that is 10 years after the preceding decen-  
12 nial recognition date under this subpara-  
13 graph.

14 “(2) AMOUNT INCLUDIBLE.—

15 “(A) IN GENERAL.—The amount of gain  
16 included in gross income under subsection  
17 (a)(1)(B) shall be the excess of—

18 “(i) the lesser of the amount of gain  
19 excluded under subsection (a)(1)(A) or the  
20 fair market value of the investment as de-  
21 termined as of the date described in para-  
22 graph (1), over

23 “(ii) the taxpayer’s basis in the in-  
24 vestment.

25 “(B) DETERMINATION OF BASIS.—

1 “(i) IN GENERAL.—Except as other-  
2 wise provided in this subparagraph or sub-  
3 section (c), the taxpayer’s basis in the in-  
4 vestment shall be zero.

5 “(ii) INCREASE FOR GAIN RECOG-  
6 NIZED UNDER SUBSECTION (a)(1)(B).—  
7 The basis in the investment shall be in-  
8 creased by the amount of gain recognized  
9 by reason of subsection (a)(1)(B) with re-  
10 spect to such investment.

11 “(iii) INCREASE BASED ON HOLDING  
12 PERIOD.—

13 “(I) IN GENERAL.—On each of  
14 the first 6 anniversaries of the date of  
15 the investment, the basis in the in-  
16 vestment shall be increased by an  
17 amount equal to the applicable per-  
18 centage of the amount of gain de-  
19 ferred by reason of subsection  
20 (a)(1)(A).

21 “(II) APPLICABLE PERCENT-  
22 AGE.—The applicable percentage for  
23 any anniversary shall be determined  
24 as follows:

“For—	The applica- ble percent- age shall be:
each of the first 3 anniversaries of the investment .....	1 percent
the 4th anniversary of the investment .....	2 percent
the 5th anniversary of the investment .....	2 percent
the 6th anniversary of the investment .....	3 percent.

“(III) SPECIAL RULES FOR INVESTMENT IN QUALIFIED RURAL OPPORTUNITY FUNDS.—In the case of an investment in a qualified rural opportunity fund, the applicable percentage shall be 300 percent of the amount determined under subclause (II).

9 “(C) QUALIFIED RURAL OPPORTUNITY  
10 FUND.—For purposes of subparagraph  
11 (B)(iii)—

“(i) QUALIFIED RURAL OPPORTUNITY  
FUND.—The term ‘qualified rural oppor-  
tunity fund’ means a qualified opportunity  
fund that holds at least 90 percent of its  
assets in qualified opportunity zone prop-  
erty which—

18 “(I) is qualified opportunity zone  
19 business property substantially all of  
20 the use of which, during substantially  
21 all of the fund’s holding period for

1 such property, was in a qualified op-  
2 portunity zone comprised entirely of a  
3 rural area, or

4 “(II) is qualified opportunity  
5 zone stock, or a qualified opportunity  
6 zone partnership interest, in a quali-  
7 fied opportunity zone business in  
8 which substantially all of the tangible  
9 property owned or leased is qualified  
10 opportunity zone business property  
11 described in subsection (d)(3)(A)(i)  
12 and substantially all the use of which  
13 is in a qualified opportunity zone com-  
14 prised entirely of a rural area.

15 For purposes of the preceding sentence,  
16 property held in the fund shall be meas-  
17 ured under rules similar to the rules of  
18 subsection (d)(1).

19 “(ii) RURAL AREA.—The term ‘rural  
20 area’ means any area other than—

21 “(I) a city or town that has a  
22 population of greater than 50,000 in-  
23 habitants, and

1                               “(II) any urbanized area contig-  
2                               uous and adjacent to a city or town  
3                               described in subclause (I).”.

4               (3) SPECIAL RULE FOR INVESTMENTS HELD AT  
5       LEAST 10 YEARS.—Section 1400Z-2(c) is amended  
6       by striking “makes an election under this clause”  
7       and all that follows and inserting “makes an election  
8       under this subsection, the basis of such investment  
9       shall be equal to—

10                   “(A) in the case of an investment sold be-  
11                   fore the date that is 30 years after the date of  
12                   the investment, the fair market value of such  
13                   investment on the date such investment is sold  
14                   or exchanged, or

15                   “(B) in any other case, the fair market  
16                   value of such investment on the date that is 30  
17                   years after the date of the investment.”.

18               (4) DETERMINATION OF QUALIFIED OPPOR-  
19       TUNITY ZONE PROPERTY.—

20                   (A) QUALIFIED OPPORTUNITY ZONE BUSI-  
21       NESS               PROPERTY.—Section               1400Z-  
22       2(d)(2)(D)(i)(I) is amended by striking “De-  
23       cember 31, 2017” and inserting “the applicable  
24       start date (as defined in section 1400Z-1(e)(2))



1 with respect to the qualified opportunity zone  
2 described in subclause (III)’’.

3 (B) QUALIFIED OPPORTUNITY ZONE  
4 STOCK AND PARTNERSHIP INTERESTS.—Section  
5 1400Z-2(d)(2) is amended—

6 (i) by striking ‘‘December 31, 2017,’’  
7 each place it appears in subparagraphs  
8 (B)(i)(I) and (C)(i) and inserting ‘‘the ap-  
9 plicable date’’, and

10 (ii) by adding at the end the following  
11 new subparagraph:

12 ‘‘(E) APPLICABLE DATE.—For purposes of  
13 this subparagraph, the term ‘applicable date’  
14 means, with respect to any corporation or part-  
15 nership which is a qualified opportunity zone  
16 business, the earliest date described in subpara-  
17 graph (D)(i)(I) with respect to the qualified op-  
18 portunity zone business property held by such  
19 qualified opportunity zone business.’’.

20 (C) SPECIAL RULE FOR IMPROVEMENT OF  
21 EXISTING STRUCTURES IN RURAL AREAS.—Sec-  
22 tion 1400Z-2(d)(2)(D)(ii) is amended by insert-  
23 ing ‘‘(50 percent of such adjusted basis in the  
24 case of property in a qualified opportunity zone  
25 comprised entirely of a rural area (as defined in

1 subsection (b)(1)(C)(ii))” after “the adjusted  
2 basis of such property”.

3 (5) EFFECTIVE DATES.—

4 (A) IN GENERAL.—Except as otherwise  
5 provided in this paragraph, the amendments  
6 made by this subsection shall apply to amounts  
7 invested in qualified opportunity funds after  
8 December 31, 2026.

9 (B) ACQUISITION OF QUALIFIED OPPOR-  
10 TUNITY ZONE PROPERTY.—The amendments  
11 made by subparagraphs (A) and (B) of para-  
12 graph (4) shall apply to property acquired after  
13 December 31, 2026.

14 (C) SUBSTANTIAL IMPROVEMENT.—The  
15 amendment made by paragraph (4)(C) shall  
16 take effect on the date of the enactment of this  
17 Act.

18 (d) INFORMATION REPORTING ON QUALIFIED OP-  
19 PORTUNITY FUNDS AND QUALIFIED RURAL OPPOR-  
20 TUNITY FUNDS.—

21 (1) FILING REQUIREMENTS FOR FUNDS AND  
22 INVESTORS.—Subpart A of part III of subchapter A  
23 of chapter 61 is amended by inserting after section  
24 6039J the following new sections:

1 **“SEC. 6039K. RETURNS WITH RESPECT TO QUALIFIED OP-**  
2 **PORTUNITY FUNDS AND QUALIFIED RURAL**  
3 **OPPORTUNITY FUNDS.**

4 “(a) IN GENERAL.—Every qualified opportunity fund  
5 shall file an annual return (at such time and in such man-  
6 ner as the Secretary may prescribe) containing the infor-  
7 mation described in subsection (b).

8 “(b) INFORMATION FROM QUALIFIED OPPORTUNITY  
9 FUNDS.—The information described in this subsection  
10 is—

11 “(1) the name, address, and taxpayer identifica-  
12 tion number of the qualified opportunity fund,

13 “(2) whether the qualified opportunity fund is  
14 organized as a corporation or a partnership,

15 “(3) the value of the total assets held by the  
16 qualified opportunity fund as of each date described  
17 in section 1400Z–2(d)(1),

18 “(4) the value of all qualified opportunity zone  
19 property held by the qualified opportunity fund on  
20 each such date,

21 “(5) with respect to each investment held by  
22 the qualified opportunity fund in qualified oppor-  
23 tunity zone stock or a qualified opportunity zone  
24 partnership interest—

25 “(A) the name, address, and taxpayer  
26 identification number of the corporation in

1           which such stock is held or the partnership in  
2           which such interest is held, as the case may be,

3                 “(B) each North American Industry Clas-  
4           sification System (NAICS) code that applies to  
5           the trades or businesses conducted by such cor-  
6           poration or partnership,

7                 “(C) the population census tract or popu-  
8           lation census tracts in which the qualified op-  
9           portunity zone business property of such cor-  
10          poration or partnership is located,

11                “(D) the amount of the investment in such  
12          stock or partnership interest as of each date de-  
13          scribed in section 1400Z-2(d)(1),

14                “(E) the value of tangible property held by  
15          such corporation or partnership on each such  
16          date which is owned by such corporation or  
17          partnership,

18                “(F) the value of tangible property held by  
19          such corporation or partnership on each such  
20          date which is leased by such corporation or  
21          partnership,

22                “(G) the approximate number of residen-  
23          tial units (if any) for any real property held by  
24          such corporation or partnership, and

1           “(H) the approximate average monthly  
2           number of full-time equivalent employees of  
3           such corporation or partnership for the year  
4           (within numerical ranges identified by the Sec-  
5           retary) or such other indication of the employ-  
6           ment impact of such corporation or partnership  
7           as determined appropriate by the Secretary,

8           “(6) with respect to the items of qualified op-  
9           portunity zone business property held by the quali-  
10          fied opportunity fund—

11           “(A) the North American Industry Classi-  
12           fication System (NAICS) code that applies to  
13           the trades or businesses in which such property  
14           is held,

15           “(B) the population census tract in which  
16           the property is located,

17           “(C) whether the property is owned or  
18           leased,

19           “(D) the aggregate value of the items of  
20           qualified opportunity zone property held by the  
21           qualified opportunity fund as of each date de-  
22           scribed in section 1400Z–2(d)(1), and

23           “(E) in the case of real property, the num-  
24           ber of residential units (if any),

1           “(7) the approximate average monthly number  
2           of full-time equivalent employees for the year of the  
3           trades or businesses of the qualified opportunity  
4           fund in which qualified opportunity zone business  
5           property is held (within numerical ranges identified  
6           by the Secretary) or such other indication of the em-  
7           ployment impact of such trades or businesses as de-  
8           termined appropriate by the Secretary,

9           “(8) with respect to each person who disposed  
10          of an investment in the qualified opportunity fund  
11          during the year—

12               “(A) the name, address, and taxpayer  
13               identification number of such person,

14               “(B) the date or dates on which the invest-  
15               ment disposed was acquired, and

16               “(C) the date or dates on which any such  
17               investment was disposed and the amount of the  
18               investment disposed, and

19           “(9) such other information as the Secretary  
20          may require.

21          “(c) STATEMENT REQUIRED TO BE FURNISHED TO  
22          INVESTORS.—Every person required to make a return  
23          under subsection (a) shall furnish to each person whose  
24          name is required to be set forth in such return by reason  
25          of subsection (b)(8) (at such time and in such manner as

1 the Secretary may prescribe) a written statement show-  
2 ing—

3 “(1) the name, address, and phone number of  
4 the information contact of the person required to  
5 make such return, and

6 “(2) the information required to be shown on  
7 such return by reason of subsection (b)(8) with re-  
8 spect to the person whose name is required to be so  
9 set forth.

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

11 “(1) IN GENERAL.—Any term used in this sec-  
12 tion which is also used in subchapter Z of chapter  
13 1 shall have the meaning given such term under  
14 such subchapter.

15 “(2) FULL-TIME EQUIVALENT EMPLOYEES.—  
16 The term ‘full-time equivalent employees’ means,  
17 with respect to any month, the sum of—

18 “(A) the number of full-time employees (as  
19 defined in section 4980H(c)(4)) for the month,  
20 plus

21 “(B) the number of employees determined  
22 (under rules similar to the rules of section  
23 4980H(c)(2)(E)) by dividing the aggregate  
24 number of hours of service of employees who

1           are not full-time employees for the month by  
2           120.

3           “(e) APPLICATION TO QUALIFIED RURAL OPPOR-  
4 TUNITY FUNDS.—Every qualified rural opportunity fund  
5 (as defined in section 1400Z–2(b)(2)(C)) shall file the an-  
6 nual return required under subsection (a), and the state-  
7 ments required under subsection (c), applied—

8           “(1) by substituting ‘qualified rural oppor-  
9 tunity’ for ‘qualified opportunity’ each place it ap-  
10 pears,

11           “(2) by substituting ‘section 1400Z–2(b)(2)(C)’  
12 for ‘section 1400Z–2(d)(1)’ each place it appears,  
13 and

14           “(3) by treating any reference (after the appli-  
15 cation of paragraph (1)) to qualified rural oppor-  
16 tunity zone stock, a qualified rural opportunity zone  
17 partnership interest, a qualified rural opportunity  
18 zone business, or qualified opportunity zone business  
19 property as stock, an interest, a business, or prop-  
20 erty, respectively, described in subclause (I) or (II),  
21 as the case may be, of section 1400Z–2(b)(2)(C)(i).



1 **“SEC. 6039L. INFORMATION REQUIRED FROM QUALIFIED**  
2 **OPPORTUNITY ZONE BUSINESSES AND**  
3 **QUALIFIED RURAL OPPORTUNITY ZONE**  
4 **BUSINESSES.**

5 “(a) IN GENERAL.—Every applicable qualified oppor-  
6 tunity zone business shall furnish to the qualified oppor-  
7 tunity fund described in subsection (b) a written state-  
8 ment at such time, in such manner, and setting forth such  
9 information as the Secretary may by regulations prescribe  
10 for purposes of enabling such qualified opportunity fund  
11 to meet the requirements of section 6039K(b)(5).

12 “(b) APPLICABLE QUALIFIED OPPORTUNITY ZONE  
13 BUSINESS.—For purposes of subsection (a), the term ‘ap-  
14 plicable qualified opportunity zone business’ means any  
15 qualified opportunity zone business—

16 “(1) which is a trade or business of a qualified  
17 opportunity fund,

18 “(2) in which a qualified opportunity fund holds  
19 qualified opportunity zone stock, or

20 “(3) in which a qualified opportunity fund holds  
21 a qualified opportunity zone partnership interest.

22 “(c) OTHER TERMS.—Any term used in this section  
23 which is also used in subchapter Z of chapter 1 shall have  
24 the meaning given such term under such subchapter.

25 “(d) APPLICATION TO QUALIFIED RURAL OPPOR-  
26 TUNITY BUSINESSES.—Every applicable qualified rural

1 opportunity zone business (as defined in subsection (b) de-  
2 termined after application of the substitutions described  
3 in this sentence) shall furnish the written statement re-  
4 quired under subsection (a), applied—

5 “(1) by substituting ‘qualified rural oppor-  
6 tunity’ for ‘qualified opportunity’ each place it ap-  
7 pears, and

8 “(2) by treating any reference (after the appli-  
9 cation of paragraph (1)) to qualified rural oppor-  
10 tunity zone stock, a qualified rural opportunity zone  
11 partnership interest, or a qualified rural opportunity  
12 zone business as stock, an interest, or a business, re-  
13 spectively, described in subclause (I) or (II), as the  
14 case may be, of section 1400Z–2(b)(2)(C)(i).”.

15 (2) PENALTIES.—

16 (A) IN GENERAL.—Part II of subchapter  
17 B of chapter 68 is amended by inserting after  
18 section 6725 the following new section:

19 **“SEC. 6726. FAILURE TO COMPLY WITH INFORMATION RE-**  
20 **PORTING REQUIREMENTS RELATING TO**  
21 **QUALIFIED OPPORTUNITY FUNDS AND**  
22 **QUALIFIED RURAL OPPORTUNITY FUNDS.**

23 “(a) IN GENERAL.—If any person required to file a  
24 return under section 6039K fails to file a complete and  
25 correct return under such section in the time and in the

1 manner prescribed therefor, such person shall pay a pen-  
2 alty of \$500 for each day during which such failure con-  
3 tinues.

4 “(b) LIMITATION.—

5 “(1) IN GENERAL.—The maximum penalty  
6 under this section on failures with respect to any 1  
7 return shall not exceed \$10,000.

8 “(2) LARGE QUALIFIED OPPORTUNITY  
9 FUNDS.—In the case of any failure described in sub-  
10 section (a) with respect to a fund the gross assets  
11 of which (determined on the last day of the taxable  
12 year) are in excess of \$10,000,000, paragraph (1)  
13 shall be applied by substituting ‘\$50,000’ for  
14 ‘\$10,000’.

15 “(c) PENALTY IN CASES OF INTENTIONAL DIS-  
16 REGARD.—If a failure described in subsection (a) is due  
17 to intentional disregard, then—

18 “(1) subsection (a) shall be applied by sub-  
19 stituting ‘\$2,500’ for ‘\$500’,

20 “(2) subsection (b)(1) shall be applied by sub-  
21 stituting ‘\$50,000’ for ‘\$10,000’, and

22 “(3) subsection (b)(2) shall be applied by sub-  
23 stituting ‘\$250,000’ for ‘\$50,000’.

24 “(d) INFLATION ADJUSTMENT.—

1           “(1) IN GENERAL.—In the case of any failure  
2 relating to a return required to be filed in a calendar  
3 year beginning after 2025, each of the dollar  
4 amounts in subsections (a), (b), and (c) shall be in-  
5 creased by an amount equal to—

6                   “(A) such dollar amount, multiplied by

7                   “(B) the cost-of-living adjustment deter-  
8 mined under section 1(f)(3) for the calendar  
9 year determined by substituting ‘calendar year  
10 2024’ for ‘calendar year 2016’ in subparagraph  
11 (A)(ii) thereof.

12           “(2) ROUNDING.—

13                   “(A) IN GENERAL.—If the \$500 dollar  
14 amount in subsection (a) and (c)(1) or the  
15 \$2,500 amount in subsection (c)(1), after being  
16 increased under paragraph (1), is not a mul-  
17 tiple of \$10, such dollar amount shall be round-  
18 ed to the next lowest multiple of \$10.

19                   “(B) ASSET THRESHOLD.—If the  
20 \$10,000,000 dollar amount in subsection (b)(2),  
21 after being increased under paragraph (1), is  
22 not a multiple of \$10,000, such dollar amount  
23 shall be rounded to the next lowest multiple of  
24 \$10,000.

1           “(C) OTHER DOLLAR AMOUNTS.—If any  
2           dollar amount in subsection (b) or (c) (other  
3           than any amount to which subparagraph (A) or  
4           (B) applies), after being increased under para-  
5           graph (1), is not a multiple of \$1,000, such dol-  
6           lar amount shall be rounded to the next lowest  
7           multiple of \$1,000.”.

8           (B) INFORMATION REQUIRED TO BE SENT  
9           TO OTHER TAXPAYERS.—Section 6724(d)(2), as  
10          amended by the preceding provisions of this  
11          Act, is amended—

12                 (i) by striking “or” at the end of sub-  
13                 paragraph (LL),

14                 (ii) by striking the period at the end  
15                 of subparagraph (MM) and inserting a  
16                 comma, and

17                 (iii) by inserting after subparagraph  
18                 (MM) the following new subparagraphs:

19                 “(NN) section 6039K(c) (relating to dis-  
20                 position of qualified opportunity fund invest-  
21                 ments), or

22                 “(OO) section 6039L (relating to informa-  
23                 tion required from certain qualified opportunity  
24                 zone businesses and qualified rural opportunity  
25                 zone businesses).”.

1           (3) ELECTRONIC FILING.—Section 6011(e) is  
2       amended by adding at the end the following new  
3       paragraph:

4           “(8) QUALIFIED OPPORTUNITY FUNDS AND  
5       QUALIFIED RURAL OPPORTUNITY FUNDS.—Notwith-  
6       standing paragraphs (1) and (2), any return filed by  
7       a qualified opportunity fund or qualified rural oppor-  
8       tunity fund under section 6039K shall be filed on  
9       magnetic media or other machine-readable form.”.

10          (4) CLERICAL AMENDMENTS.—

11               (A) The table of sections for subpart A of  
12       part III of subchapter A of chapter 61 is  
13       amended by inserting after the item relating to  
14       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.”.

15               (B) The table of sections for part II of  
16       subchapter B of chapter 68 is amended by in-  
17       serting after the item relating to section 6725  
18       the following new item:

“Sec. 6726. Failure to comply with information reporting requirements relating to qualified opportunity funds and qualified rural opportunity funds.”.

19          (5) EFFECTIVE DATE.—The amendments made  
20       by this subsection shall apply to taxable years begin-  
21       ning after the date of the enactment of this Act.

1       (e) SECRETARY REPORTING OF DATA ON OPPOR-  
2       TUNITY ZONE AND RURAL OPPORTUNITY ZONE TAX IN-  
3       CENTIVES.—

4           (1) IN GENERAL.—As soon as practical after  
5       the date of the enactment of this Act, and annually  
6       thereafter, the Secretary of the Treasury, or the  
7       Secretary’s delegate (referred to in this section as  
8       the “Secretary”) shall make publicly available a re-  
9       port on qualified opportunity funds.

10          (2) INFORMATION INCLUDED.—The report re-  
11       quired under paragraph (1) shall include, to the ex-  
12       tent available, the following information:

13           (A) The number of qualified opportunity  
14       funds.

15           (B) The aggregate dollar amount of assets  
16       held in qualified opportunity funds.

17           (C) The aggregate dollar amount of invest-  
18       ments made by qualified opportunity funds in  
19       qualified opportunity fund property, stated sep-  
20       arately for each North American Industry Clas-  
21       sification System (NAICS) code.

22           (D) The percentage of population census  
23       tracts designated as qualified opportunity zones  
24       that have received qualified opportunity fund  
25       investments.

1           (E) For each population census tract des-  
2           ignated as a qualified opportunity zone, the ap-  
3           proximate average monthly number of full-time  
4           equivalent employees of the qualified oppor-  
5           tunity zone businesses in such qualified oppor-  
6           tunity zone for the preceding 12-month period  
7           (within numerical ranges identified by the Sec-  
8           retary) or such other indication of the employ-  
9           ment impact of such qualified opportunity fund  
10          businesses as determined appropriate by the  
11          Secretary.

12          (F) The percentage of the total amount of  
13          investments made by qualified opportunity  
14          funds in—

15               (i) qualified opportunity zone property  
16               which is real property; and

17               (ii) other qualified opportunity zone  
18               property.

19          (G) For each population census tract, the  
20          aggregate approximate number of residential  
21          units resulting from investments made by quali-  
22          fied opportunity funds in real property.

23          (H) The aggregate dollar amount of in-  
24          vestments made by qualified opportunity funds  
25          in each population census tract.



1 (3) ADDITIONAL INFORMATION.—

2 (A) IN GENERAL.—Beginning with the re-  
3 port submitted under paragraph (1) for the 6th  
4 year after the date of the enactment of this Act,  
5 the Secretary shall include in such report the  
6 impacts and outcomes of a designation of a  
7 population census tract as a qualified oppor-  
8 tunity zone as measured by economic indicators,  
9 such as job creation, poverty reduction, new  
10 business starts, and other metrics as deter-  
11 mined by the Secretary.

12 (B) SEMI-DECENNIAL INFORMATION.—

13 (i) IN GENERAL.—In the case of any  
14 report submitted under paragraph (1) in  
15 the 6th year or the 11th year after the  
16 date of the enactment of this Act, the Sec-  
17 retary shall include the following informa-  
18 tion:

19 (I) For population census tracts  
20 designated as a qualified opportunity  
21 zone, a comparison (based on aggre-  
22 gate information) of the factors listed  
23 in clause (iii) between the 5-year pe-  
24 riod ending on the date of the enact-  
25 ment of Public Law 115–97 and the

1                   most recent 5-year period for which  
2                   data is available.

3                   (II) 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) for the most recent 5-  
8                   year period for which data is available  
9                   between such population census tracts  
10                  and similar population census tracts  
11                  that were not designated as a quali-  
12                  fied opportunity zone.

13                  (ii) CONTROL GROUPS.—For purposes  
14                  of clause (i), the Secretary may combine  
15                  population census tracts into such groups  
16                  as the Secretary determines appropriate  
17                  for purposes of making comparisons.

18                  (iii) FACTORS LISTED.—The factors  
19                  listed in this clause are the following:

20                   (I) The unemployment rate.

21                   (II) The number of persons  
22                   working in the population census  
23                   tract, including the percentage of such  
24                   persons who were not residents in the

1 population census tract in the pre-  
2 ceding year.

3 (III) Individual, family, and  
4 household poverty rates.

5 (IV) Median family income of  
6 residents of the population census  
7 tract.

8 (V) Demographic information on  
9 residents of the population census  
10 tract, including age, income, edu-  
11 cation, race, and employment.

12 (VI) The average percentage of  
13 income of residents of the population  
14 census tract spent on rent annually.

15 (VII) The number of residences  
16 in the population census tract.

17 (VIII) The rate of home owner-  
18 ship in the population census tract.

19 (IX) The average value of resi-  
20 dential property in the population cen-  
21 sus tract.

22 (X) The number of affordable  
23 housing units in the population census  
24 tract.

1 (XI) The number of new business  
2 starts in the population census tract.

3 (XII) The distribution of employ-  
4 ees in the population census tract by  
5 North American Industry Classifica-  
6 tion System (NAICS) code.

7 (4) PROTECTION OF IDENTIFIABLE RETURN IN-  
8 FORMATION.—In making reports required under this  
9 subsection, the Secretary—

10 (A) shall establish appropriate procedures  
11 to ensure that any amounts reported do not dis-  
12 close taxpayer return information that can be  
13 associated with any particular taxpayer or com-  
14 petitive or proprietary information, and

15 (B) if necessary to protect taxpayer return  
16 information, may combine information required  
17 with respect to individual population census  
18 tracts into larger geographic areas.

19 (5) DEFINITIONS.—Any term used in this sub-  
20 section which is also used in subchapter Z of chapter  
21 1 of the Internal Revenue Code of 1986 shall have  
22 the meaning given such term under such subchapter.

23 (6) REPORTS ON QUALIFIED RURAL OPPOR-  
24 TUNITY FUNDS.—The Secretary shall make publicly  
25 available, with respect to qualified rural opportunity

1 funds, separate reports as required under this sub-  
2 section, applied—

3 (A) by substituting “qualified rural oppor-  
4 tunity” for “qualified opportunity” each place it  
5 appears,

6 (B) by substituting a reference to this Act  
7 for “Public Law 115–97”, and

8 (C) by treating any reference (after the ap-  
9 plication of subparagraph (A)) to qualified rural  
10 opportunity zone stock, qualified rural oppor-  
11 tunity zone partnership interest, qualified rural  
12 opportunity zone business, or qualified oppor-  
13 tunity zone business property as stock, interest,  
14 business, or property, respectively, described in  
15 subclause (I) or (II), as the case may be, of sec-  
16 tion 1400Z–2(b)(2)(C)(i) of the Internal Rev-  
17 enue Code of 1986.

18 (f) FUNDING.—In addition to amounts otherwise  
19 available, there is appropriated to the Internal Revenue  
20 Service, out of any money in the Treasury not otherwise  
21 appropriated, \$15,000,000, to remain available until Sep-  
22 tember 30, 2028, to carry out the provisions of, including  
23 the amendments made by, this section.

1   **SEC. 70422. PERMANENT ENHANCEMENT OF LOW-INCOME**  
2                   **HOUSING TAX CREDIT.**

3           (a) PERMANENT STATE HOUSING CREDIT CEILING  
4 INCREASE FOR LOW-INCOME HOUSING CREDIT.—

5           (1) IN GENERAL.—Section 42(h)(3)(I) is  
6 amended—

7           (A) by striking “2018, 2019, 2020, and  
8 2021,” and inserting “beginning after Decem-  
9 ber 31, 2025,”

10           (B) by striking “1.125” and inserting  
11 “1.12”, and

12           (C) by striking “2018, 2019, 2020, AND 2021”  
13 in the heading and inserting “CALENDAR YEARS  
14 AFTER 2025”.

15           (2) EFFECTIVE DATE.—The amendments made  
16 by this subsection shall apply to calendar years be-  
17 ginning after December 31, 2025.

18           (b) TAX-EXEMPT BOND FINANCING REQUIRE-  
19 MENT.—

20           (1) IN GENERAL.—Section 42(h)(4) is amended  
21 by striking subparagraph (B) and inserting the fol-  
22 lowing:

23           “(B) SPECIAL RULE WHERE MINIMUM  
24 PERCENT OF BUILDINGS IS FINANCED WITH  
25 TAX-EXEMPT BONDS SUBJECT TO VOLUME  
26 CAP.—For purposes of subparagraph (A), para-

1 graph (1) shall not apply to any portion of the  
2 credit allowable under subsection (a) with re-  
3 spect to a building if—

4 “(i) 50 percent or more of the aggre-  
5 gate basis of such building and the land on  
6 which the building is located is financed by  
7 1 or more obligations described in subpara-  
8 graph (A), or

9 “(ii)(I) 25 percent or more of the ag-  
10 gregate basis of such building and the land  
11 on which the building is located is financed  
12 by 1 or more obligations described in sub-  
13 paragraph (A), and

14 “(II) 1 or more of such obligations—

15 “(aa) are part of an issue the  
16 issue date of which is after December  
17 31, 2025, and

18 “(bb) provide the financing for  
19 not less than 5 percent of the aggre-  
20 gate basis of such building and the  
21 land on which the building is lo-  
22 cated.”.

23 (2) EFFECTIVE DATE.—

24 (A) IN GENERAL.—The amendment made  
25 by this subsection shall apply to buildings

1 placed in service in taxable years beginning  
2 after December 31, 2025.

3 (B) REHABILITATION EXPENDITURES  
4 TREATED AS SEPARATE NEW BUILDING.—In  
5 the case of any building with respect to which  
6 any expenditures are treated as a separate new  
7 building under section 42(e) of the Internal  
8 Revenue Code of 1986, for purposes of sub-  
9 paragraph (A), both the existing building and  
10 the separate new building shall be treated as  
11 having been placed in service on the date such  
12 expenditures are treated as placed in service  
13 under section 42(e)(4) of such Code.

14 **SEC. 70423. PERMANENT EXTENSION OF NEW MARKETS TAX**  
15 **CREDIT.**

16 (a) IN GENERAL.—Section 45D(f)(1)(H) is amended  
17 by striking “for for each of calendar years 2020 through  
18 2025” and inserting “ for each calendar year after 2019”.

19 (b) CARRYOVER OF UNUSED LIMITATION.—Section  
20 45D(f)(3) is amended—

21 (1) by striking “If the” and inserting the fol-  
22 lowing:

23 “(A) IN GENERAL.—If the”, and

24 (2) by striking the second sentence and insert-  
25 ing the following:



1           “(B) LIMITATION.—No amount may be  
2           carried under subparagraph (A) to any calendar  
3           year after the fifth calendar year after the cal-  
4           endar year in which the excess described in  
5           such subparagraph occurred. For purposes of  
6           this subparagraph, any excess described in sub-  
7           paragraph (A) with respect to any calendar  
8           year before 2026 shall be treated as occurring  
9           in calendar year 2025.”.

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

13 **SEC. 70424. PERMANENT DEDUCTION FOR CHARITABLE**  
14 **CONTRIBUTIONS MADE BY INDIVIDUALS WHO**  
15 **DO NOT ELECT TO ITEMIZE.**

16       (a) IN GENERAL.—Section 170(p) is amended—

17           (1) by striking “\$300 (\$600” and inserting  
18           “\$1,000 (\$2,000”, and

19           (2) by striking “beginning in 2021”.

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

1 **SEC. 70425. 0.5 PERCENT FLOOR ON DEDUCTION OF CON-**  
2 **TRIBUTIONS MADE BY INDIVIDUALS WHO**  
3 **ELECT TO ITEMIZE.**

4 (a) IN GENERAL.—

5 (1) IN GENERAL.—Paragraph (1) of section  
6 170(b) is amended by adding at the end the fol-  
7 lowing new subparagraph:

8 “(I) 0.5-PERCENT FLOOR.—Any charitable  
9 contribution otherwise allowable (without re-  
10 gard to this subparagraph) as a deduction  
11 under this section shall be allowed only to the  
12 extent that the aggregate of such contributions  
13 exceeds 0.5 percent of the taxpayer’s contribu-  
14 tion base for the taxable year. The preceding  
15 sentence shall be applied—

16 “(i) first, by taking into account char-  
17 itable contributions to which subparagraph  
18 (D) applies to the extent thereof,

19 “(ii) second, by taking into account  
20 charitable contributions to which subpara-  
21 graph (C) applies to the extent thereof,

22 “(iii) third, by taking into account  
23 charitable contributions to which subpara-  
24 graph (B) applies to the extent thereof,

1 “(iv) fourth, by taking into account  
2 charitable contributions to which subpara-  
3 graph (E) applies to the extent thereof,

4 “(v) fifth, by taking into account  
5 charitable contributions to which subpara-  
6 graph (A) applies to the extent thereof,  
7 and

8 “(vi) sixth, by taking into account  
9 charitable contributions to which subpara-  
10 graph (G) applies to the extent thereof.”.

11 (2) APPLICATION OF CARRYFORWARD.—Para-  
12 graph (1) of section 170(d) is amended by adding at  
13 the end the following new subparagraph:

14 “(C) CONTRIBUTIONS DISALLOWED BY 0.5-  
15 PERCENT FLOOR CARRIED FORWARD ONLY  
16 FROM YEARS IN WHICH LIMITATION IS EXCEED-  
17 ED.—

18 “(i) IN GENERAL.—In the case of any  
19 taxable year from which an excess is car-  
20 ried forward (determined without regard to  
21 this subparagraph) under any carryover  
22 rule, the applicable carryover rule shall be  
23 applied by increasing the excess deter-  
24 mined under such applicable carryover rule  
25 for the contribution year (before the appli-

1 cation of subparagraph (B)) by the amount  
2 attributable to the charitable contributions  
3 to which such rule applies which is not al-  
4 lowed as a deduction for the contribution  
5 year by reason of subsection (b)(1)(I).

6 “(ii) CARRYOVER RULE.—For pur-  
7 poses of this subparagraph, the term ‘car-  
8 ryover rule’ means—

9 “(I) subparagraph (A) of this  
10 paragraph,

11 “(II) subparagraphs (C)(ii),  
12 (D)(ii), (E)(ii), and (G)(ii) of sub-  
13 section (b)(1), and

14 “(III) the second sentence of  
15 subsection (b)(1)(B).

16 “(iii) APPLICABLE CARRYOVER  
17 RULE.—For purposes of this subpara-  
18 graph, the term ‘applicable carryover rule’  
19 means any carryover rule applicable to  
20 charitable contributions which were (in  
21 whole or in part) not allowed as a deduc-  
22 tion for the contribution year by reason of  
23 subsection (b)(1)(I).”.

24 (3) COORDINATION WITH DEDUCTION FOR NON-  
25 ITEMIZERS.—Section 170(p), as amended by this

1 Act, is further amended by inserting “, (b)(1)(I),”  
2 after “subsections (b)(1)(G)(ii)”.

3 (b) MODIFICATION OF LIMITATION FOR CASH CON-  
4 TRIBUTIONS.—

5 (1) IN GENERAL.—Clause (i) of section  
6 170(b)(1)(G) is amended to read as follows:

7 “(i) IN GENERAL.—For taxable years  
8 beginning after December 31, 2017, any  
9 contribution of cash to an organization de-  
10 scribed in subparagraph (A) shall be al-  
11 lowed as a deduction under subsection (a)  
12 to the extent that the aggregate of such  
13 contributions does not exceed the excess  
14 of—

15 “(I) 60 percent of the taxpayer’s  
16 contribution base for the taxable year,  
17 over

18 “(II) the aggregate amount of  
19 contributions taken into account  
20 under subparagraph (A) for such tax-  
21 able year.”.

22 (2) COORDINATION WITH OTHER LIMITA-  
23 TIONS.—

24 (A) IN GENERAL.—Clause (iii) of section  
25 170(b)(1)(G) is amended—

1 (i) by striking “SUBPARAGRAPHS (A)  
2 AND (B)” in the heading and inserting  
3 “SUBPARAGRAPH (A)”, and

4 (ii) in subclause (II), by striking “,  
5 and subparagraph (B)” and all that fol-  
6 lows through “this subparagraph”.

7 (B) OTHER CONTRIBUTIONS.—Subpara-  
8 graph (B) of section 170(b)(1) is amended—

9 (i) by striking “to which subpara-  
10 graph (A)” both places it appears and in-  
11 serting “to which subparagraph (A) or  
12 (G)”, and

13 (ii) in clause (ii), by striking “over the  
14 amount” and all that follows through  
15 “subparagraph (C)).” and inserting  
16 “over—

17 “(I) the amount of charitable  
18 contributions allowable under sub-  
19 paragraph (A) (determined without  
20 regard to subparagraph (C)) and sub-  
21 paragraph (G), reduced by

22 “(II) so much of the contribu-  
23 tions taken into account under sub-  
24 paragraph (G) as does not exceed 10

1                   percent of the taxpayer's contribution  
2                   base.”.

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

6 **SEC. 70426. 1-PERCENT FLOOR ON DEDUCTION OF CHARI-**  
7 **TABLE CONTRIBUTIONS MADE BY CORPORA-**  
8 **TIONS.**

9       (a) IN GENERAL.—Section 170(b)(2)(A) is amended  
10 to read as follows:

11               “(A) IN GENERAL.—Any charitable con-  
12 tribution otherwise allowable (without regard to  
13 this subparagraph) as a deduction under this  
14 section for any taxable year, other than any  
15 contribution to which subparagraph (B) or (C)  
16 applies, shall be allowed only to the extent that  
17 the aggregate of such contributions—

18               “(i) exceeds 1 percent of the tax-  
19 payer's taxable income for the taxable  
20 year, and

21               “(ii) does not exceed 10 percent of the  
22 taxpayer's taxable income for the taxable  
23 year.”.

24       (b) APPLICATION OF CARRYFORWARD.—Section  
25 170(d)(2) is amended to read as follows:

1 “(2) CORPORATIONS.—

2 “(A) IN GENERAL.—Any charitable con-  
3 tribution taken into account under subsection  
4 (b)(2)(A) for any taxable year which is not al-  
5 lowed as a deduction by reason of clause (ii)  
6 thereof shall be taken into account as a chari-  
7 table contribution for the succeeding taxable  
8 year, except that, for purposes of determining  
9 under this subparagraph whether such contribu-  
10 tion is allowed in such succeeding taxable year,  
11 contributions in such succeeding taxable year  
12 (determined without regard to this paragraph)  
13 shall be taken into account under subsection  
14 (b)(2)(A) before any contribution taken into ac-  
15 count by reason of this paragraph.

16 “(B) 5-YEAR CARRYFORWARD.—No chari-  
17 table contribution may be carried forward under  
18 subparagraph (A) to any taxable year following  
19 the fifth taxable year after the taxable year in  
20 which the charitable contribution was first  
21 taken into account. For purposes of the pre-  
22 ceding sentence, contributions shall be treated  
23 as allowed on a first-in first-out basis.

24 “(C) CONTRIBUTIONS DISALLOWED BY 1-  
25 PERCENT FLOOR CARRIED FORWARD ONLY



1 FROM YEARS IN WHICH 10 PERCENT LIMITA-  
2 TION IS EXCEEDED.—In the case of any taxable  
3 year from which a charitable contribution is  
4 carried forward under subparagraph (A) (deter-  
5 mined without regard this subparagraph), sub-  
6 paragraph (A) shall be applied by substituting  
7 ‘clause (i) or (ii)’ for ‘clause (ii)’.

8 “(D) SPECIAL RULE FOR NET OPERATING  
9 LOSS CARRYOVERS.—The amount of charitable  
10 contributions carried forward under subpara-  
11 graph (A) shall be reduced to the extent that  
12 such carryforward would (but for this subpara-  
13 graph) reduce taxable income (as computed for  
14 purposes of the second sentence of section  
15 172(b)(2)) and increase a net operating loss  
16 carryover under section 172 to a succeeding  
17 taxable year.”.

18 (c) CONFORMING AMENDMENTS.—Subparagraphs  
19 (B)(ii) and (C)(ii) of section 170(b)(2) are each amended  
20 by inserting “other than subparagraph (C) thereof” after  
21 “subsection (d)(2)”.

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

1 **SEC. 70427. 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 **Subchapter D—Permanent Investments in**  
11 **Small Business and Rural America**

12 **SEC. 70431. EXPANSION OF QUALIFIED SMALL BUSINESS**  
13 **STOCK GAIN EXCLUSION.**

14 (a) PHASED INCREASE IN EXCLUSION FOR GAIN  
15 FROM QUALIFIED SMALL BUSINESS STOCK.—

16 (1) IN GENERAL.—Section 1202(a)(1) is  
17 amended to read as follows:

18 “(1) IN GENERAL.— In the case of a taxpayer  
19 other than a corporation, gross income shall not in-  
20 clude—

21 “(A) except as provided in paragraphs (3)  
22 and (4), 50 percent of any gain from the sale  
23 or exchange of qualified small business stock  
24 acquired on or before the applicable date and  
25 held for more than 5 years, and

1                   “(B) the applicable percentage of any gain  
 2                   from the sale or exchange of qualified small  
 3                   business stock acquired after the applicable  
 4                   date and held for at least 3 years.”.

5                   (2)     APPLICABLE       PERCENTAGE.—Section  
 6                   1202(a) is amended by adding at the end the fol-  
 7                   lowing new paragraph:

8                   “(5) APPLICABLE PERCENTAGE.—The applica-  
 9                   ble percentage under paragraph (1) shall be deter-  
 10                  mined under the following table:

<b>“Years stock held:</b>	<b>Applicable percentage:</b>
3 years .....	50%
4 years .....	75%
5 years or more .....	100%”.

11                  (3) APPLICABLE DATE; ACQUISITION DATE.—  
 12                  Section 1202(a), as amended by paragraph (2), is  
 13                  amended by adding at the end the following new  
 14                  paragraph:

15                  “(6) APPLICABLE DATE; ACQUISITION DATE.—  
 16                  For purposes of this section—

17                       “(A) APPLICABLE DATE.—The term ‘appli-  
 18                       cable date’ means the date of the enactment of  
 19                       this paragraph.

20                       “(B) ACQUISITION DATE.—In the case of  
 21                       any stock which would (but for this paragraph)  
 22                       be treated as having been acquired before, on,

1 or after the applicable date, whichever is appli-  
2 cable, the acquisition date for purposes of this  
3 section shall be the first day on which such  
4 stock was held by the taxpayer determined after  
5 the application of section 1223.”.

6 (4) CONTINUED TREATMENT AS NOT ITEM OF  
7 TAX PREFERENCE.—

8 (A) IN GENERAL.—Section 57(a)(7) is  
9 amended by striking “An amount” and insert-  
10 ing “In the case of stock acquired on or before  
11 the date of the enactment of the Creating Small  
12 Business Jobs Act of 2010, an amount”.

13 (B) CONFORMING AMENDMENT.—Section  
14 1202(a)(4) is amended—

15 (i) by striking “, and” at the end of  
16 subparagraph (B) and inserting a period,  
17 and

18 (ii) by striking subparagraph (C).

19 (5) OTHER CONFORMING AMENDMENTS.—

20 (A) Paragraphs (3)(A) and (4)(A) of sec-  
21 tion 1202(a) are each amended by striking  
22 “paragraph (1)” and inserting “paragraph  
23 (1)(A)”.

1 (B) Paragraph (4)(A) of section 1202(a) is  
2 amended by inserting “and on or before the ap-  
3 plicable date” after “2010”.

4 (C) Sections 1202(b)(2), 1202(g)(2)(A),  
5 and 1202(j)(1)(A) are each amended by strik-  
6 ing “more than 5 years” and inserting “at least  
7 3 years (more than 5 years in the case of stock  
8 acquired on or before the applicable date)”.

9 (6) EFFECTIVE DATES.—

10 (A) IN GENERAL.—Except as provided in  
11 subparagraph (B), the amendments made by  
12 this subsection shall apply to taxable years be-  
13 ginning after the date of the enactment of this  
14 Act.

15 (B) CONTINUED TREATMENT AS NOT ITEM  
16 OF TAX PREFERENCE.—The amendments made  
17 by paragraph (4) shall take effect as if included  
18 in the enactment of section 2011 of the Cre-  
19 ating Small Business Jobs Act of 2010.

20 (b) INCREASE IN PER ISSUER LIMITATION.—

21 (1) IN GENERAL.—Subparagraph (A) of section  
22 1202(b)(1) is amended to read as follows:

23 “(A) the applicable dollar limit for the tax-  
24 able year, or”.

1           (2) APPLICABLE DOLLAR LIMIT.—Section  
2       1202(b) is amended by adding at the end the fol-  
3       lowing:

4           “(4) APPLICABLE DOLLAR LIMIT.—For pur-  
5       poses of paragraph (1)(A), the applicable dollar limit  
6       for any taxable year with respect to eligible gain  
7       from 1 or more dispositions by a taxpayer of quali-  
8       fied business stock of a corporation is—

9           “(A) if such stock was acquired by the tax-  
10       payer on or before the applicable date,  
11       \$10,000,000, reduced by the aggregate amount  
12       of eligible gain taken into account by the tax-  
13       payer under subsection (a) for prior taxable  
14       years and attributable to dispositions of stock  
15       issued by such corporation and acquired by the  
16       taxpayer before, on, or after the applicable  
17       date, and

18           “(B) if such stock was acquired by the tax-  
19       payer after the applicable date, \$15,000,000,  
20       reduced by the sum of—

21           “(i) the aggregate amount of eligible  
22       gain taken into account by the taxpayer  
23       under subsection (a) for prior taxable  
24       years and attributable to dispositions of  
25       stock issued by such corporation and ac-

1                   quired by the taxpayer before, on, or after  
2                   the applicable date, plus

3                   “(ii) the aggregate amount of eligible  
4                   gain taken into account by the taxpayer  
5                   under subsection (a) for the taxable year  
6                   and attributable to dispositions of stock  
7                   issued by such corporation and acquired by  
8                   the taxpayer on or before the applicable  
9                   date.

10                  “(5) INFLATION ADJUSTMENT.—

11                   “(A) IN GENERAL.—In the case of any  
12                   taxable year beginning after 2026, the  
13                   \$15,000,000 amount in paragraph (4)(B) shall  
14                   be increased by an amount equal to —

15                   “(i) such dollar amount, multiplied by

16                   “(ii) the cost-of-living adjustment de-  
17                   termined under section 1(f)(3) for the cal-  
18                   endar year in which the taxable year be-  
19                   gins, determined by substituting ‘calendar  
20                   year 2025’ for ‘calendar year 2016’ in sub-  
21                   paragraph (A)(ii) thereof.

22                  If any increase under this subparagraph is not  
23                  a multiple of \$10,000, such increase shall be  
24                  rounded to the nearest multiple of \$10,000.

1                   “(B) NO INCREASE ONCE LIMIT  
2 REACHED.—If, for any taxable year, the eligible  
3 gain attributable to dispositions of stock issued  
4 by a corporation and acquired by the taxpayer  
5 after the applicable date exceeds the applicable  
6 dollar limit, then notwithstanding any increase  
7 under subparagraph (A) for any subsequent  
8 taxable year, the applicable dollar limit for such  
9 subsequent taxable year shall be zero.”.

10           (3) SEPARATE RETURNS.—Subparagraph (A) of  
11 section 1202(b)(3) is amended to read as follows:

12                   “(A) SEPARATE RETURNS.—In the case of  
13 a separate return by a married individual for  
14 any taxable year—

15                           “(i) paragraph (4)(A) shall be applied  
16 by substituting ‘\$5,000,000’ for  
17 ‘\$10,000,000’, and

18                           “(ii) paragraph (4)(B) shall be ap-  
19 plied by substituting one-half of the dollar  
20 amount in effect under such paragraph for  
21 the taxable year for the amount so in ef-  
22 fect.”.

23           (4) EFFECTIVE DATE.—The amendments made  
24 by this subsection shall apply to taxable years begin-  
25 ning after the date of the enactment of this Act.



1       (c) INCREASE IN LIMIT IN AGGREGATE GROSS AS-  
2   SETS.—

3           (1) IN GENERAL.—Subparagraphs (A) and (B)  
4       of section 1202(d)(1) are each amended by striking  
5       “\$50,000,000” and inserting “\$75,000,000”.

6           (2) INFLATION ADJUSTMENT.—Section 1202(b)  
7       is amended by adding at the end the following:

8           “(4) INFLATION ADJUSTMENT.—In the case of  
9       any taxable year beginning after 2026, the  
10       \$75,000,000 amounts in paragraphs (1)(A) and  
11       (1)(B) shall each be increased by an amount equal  
12       to—

13                   “(A) such dollar amount, multiplied by

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

20       If any increase under this paragraph is not a mul-  
21       tiple of \$10,000, such increase shall be rounded to  
22       the nearest multiple of \$10,000.”.

23           (3) EFFECTIVE DATE.—The amendments made  
24       by this subsection shall apply to stock issued after  
25       the date of the enactment of this Act.

1 **SEC. 70432. REPEAL OF REVISION TO DE MINIMIS RULES**  
2 **FOR THIRD PARTY NETWORK TRANS-**  
3 **ACTIONS.**

4 (a) REINSTATEMENT OF EXCEPTION FOR DE MINI-  
5 MIS PAYMENTS AS IN EFFECT PRIOR TO ENACTMENT OF  
6 AMERICAN RESCUE PLAN ACT OF 2021.—

7 (1) IN GENERAL.—Section 6050W(e) is amend-  
8 ed to read as follows:

9 “(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY  
10 THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third  
11 party settlement organization shall be required to report  
12 any information under subsection (a) with respect to third  
13 party network transactions of any participating payee only  
14 if—

15 “(1) the amount which would otherwise be re-  
16 ported under subsection (a)(2) with respect to such  
17 transactions exceeds \$20,000, and

18 “(2) the aggregate number of such transactions  
19 exceeds 200.”.

20 (2) EFFECTIVE DATE.—The amendment made  
21 by this subsection shall take effect as if included in  
22 section 9674 of the American Rescue Plan Act.

23 (b) APPLICATION OF DE MINIMIS RULE FOR THIRD  
24 PARTY NETWORK TRANSACTIONS TO BACKUP WITH-  
25 HOLDING.—

1           (1) IN GENERAL.—Section 3406(b) is amended  
2       by adding at the end the following new paragraph:

3           “(8) OTHER REPORTABLE PAYMENTS INCLUDE  
4       PAYMENTS IN SETTLEMENT OF THIRD PARTY NET-  
5       WORK TRANSACTIONS ONLY WHERE AGGREGATE  
6       TRANSACTIONS EXCEED REPORTING THRESHOLD  
7       FOR THE CALENDAR YEAR.—

8           “(A) IN GENERAL.—Any payment in set-  
9       tlement of a third party network transaction re-  
10      quired to be shown on a return required under  
11      section 6050W which is made during any cal-  
12      endar year shall be treated as a reportable pay-  
13      ment only if—

14           “(i) the aggregate number of trans-  
15      actions with respect to the participating  
16      payee during such calendar year exceeds  
17      the number of transactions specified in  
18      section 6050W(e)(2), and

19           “(ii) the aggregate amount of trans-  
20      actions with respect to the participating  
21      payee during such calendar year exceeds  
22      the dollar amount specified in section  
23      6050W(e)(1) at the time of such payment.

24           “(B) EXCEPTION IF THIRD PARTY NET-  
25      WORK TRANSACTIONS MADE IN PRIOR YEAR

1           WERE REPORTABLE.—Subparagraph (A) shall  
2           not apply with respect to payments to any par-  
3           ticipating payee during any calendar year if one  
4           or more payments in settlement of third party  
5           network transactions made by the payor to the  
6           participating payee during the preceding cal-  
7           endar year were reportable payments.”.

8           (2) EFFECTIVE DATE.—The amendment made  
9           by this subsection shall apply to calendar years be-  
10          ginning after December 31, 2024.

11   **SEC. 70433. INCREASE IN THRESHOLD FOR REQUIRING IN-**  
12                           **FORMATION REPORTING WITH RESPECT TO**  
13                           **CERTAIN PAYEES.**

14          (a) IN GENERAL.—Section 6041(a) is amended by  
15          striking “\$600” and inserting “\$2,000”.

16          (b) INFLATION ADJUSTMENT.—Section 6041 is  
17          amended by adding at the end the following new sub-  
18          section:

19               “(h) INFLATION ADJUSTMENT.—In the case of any  
20          calendar year after 2026, the dollar amount in subsection  
21          (a) shall be increased by an amount equal to—

22                       “(1) such dollar amount, multiplied by

23                       “(2) the cost-of-living adjustment determined  
24          under section 1(f)(3) for such calendar year, deter-

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

3    If any increase under the preceding sentence is not a mul-  
4    tiple of \$100, such increase shall be rounded to the nearest  
5    multiple of \$100.”.

6        (c) APPLICATION TO REPORTING ON REMUNERATION  
7    FOR SERVICES.—Section 6041A(a)(2) is amended by  
8    striking “is \$600 or more” and inserting “equals or ex-  
9    ceeds the dollar amount in effect for such calendar year  
10   under section 6041(a)”.

11       (d) APPLICATION TO BACKUP WITHHOLDING.—Sec-  
12   tion 3406(b)(6) is amended—

13           (1) by striking “\$600” in subparagraph (A)  
14           and inserting “the dollar amount in effect for such  
15           calendar year under section 6041(a)”, and

16           (2) by striking “ONLY WHERE AGGREGATE  
17           FOR CALENDAR YEAR IS \$600 OR MORE” in the  
18           heading and inserting “ONLY WHERE IN EXCESS OF  
19           THRESHOLD”.

20        (e) CONFORMING AMENDMENTS.—

21           (1) The heading of section 6041(a) is amended  
22           by striking “OF \$600 OR MORE” and inserting “EX-  
23           CEEDING THRESHOLD”.

24           (2) Section 6041(a) is amended by striking  
25           “taxable year” and inserting “calendar year”.

1 (f) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply with respect to payments made  
3 after December 31, 2025.

4 **SEC. 70434. TREATMENT OF CERTAIN QUALIFIED SOUND**  
5 **RECORDING PRODUCTIONS.**

6 (a) ELECTION TO TREAT COSTS AS EXPENSES.—  
7 Section 181(a)(1) is amended by striking “qualified film  
8 or television production, and any qualified live theatrical  
9 production,” and inserting “qualified film or television  
10 production, any qualified live theatrical production, and  
11 any qualified sound recording production”.

12 (b) DOLLAR LIMITATION.—Section 181(a)(2) is  
13 amended by adding at the end the following new subpara-  
14 graph:

15 “(C) QUALIFIED SOUND RECORDING PRO-  
16 Duction.—Paragraph (1) shall not apply to so  
17 much of the aggregate cost of any qualified  
18 sound recording production, or to so much of  
19 the aggregate, cumulative cost of all such quali-  
20 fied sound recording productions in the taxable  
21 year, as exceeds \$150,000.”.

22 (c) NO OTHER DEDUCTION OR AMORTIZATION DE-  
23 Duction ALLOWABLE.—Section 181(b) is amended by  
24 striking “qualified film or television production or any  
25 qualified live theatrical production” and inserting “quali-

1 fied film or television production, any qualified live theat-  
2 rical production, or any qualified sound recording produc-  
3 tion”.

4 (d) ELECTION.—Section 181(c)(1) is amended by  
5 striking “qualified film or television production or any  
6 qualified live theatrical production” and inserting “quali-  
7 fied film or television production, any qualified live theat-  
8 rical production, or any qualified sound recording produc-  
9 tion”.

10 (e) QUALIFIED SOUND RECORDING PRODUCTION  
11 DEFINED.—Section 181 is amended by redesignating sub-  
12 sections (f) and (g) as subsections (g) and (h), respec-  
13 tively, and by inserting after subsection (e) the following  
14 new subsection:

15 “(f) QUALIFIED SOUND RECORDING PRODUCTION.—  
16 For purposes of this section, the term ‘qualified sound re-  
17 cording production’ means a sound recording (as defined  
18 in section 101 of title 17, United States Code) produced  
19 and recorded in the United States.”.

20 (f) APPLICATION OF TERMINATION.—Section 181(h),  
21 as redesignated by subsection (e), is amended by striking  
22 “qualified film and television productions or qualified live  
23 theatrical productions” and inserting “qualified film and  
24 television productions, qualified live theatrical produc-  
25 tions, or qualified sound recording productions”.

1 (g) BONUS DEPRECIATION.—

2 (1) QUALIFIED SOUND RECORDING PRODUC-  
3 TION AS QUALIFIED PROPERTY.—Section  
4 168(k)(2)(A)(i) is amended—

5 (A) by striking “or” at the end of sub-  
6 clause (IV), by inserting “or” at the end of sub-  
7 clause (V), and by inserting after subclause (V)  
8 the following:

9 “(VI) which is a qualified sound  
10 recording production (as defined in  
11 subsection (f) of section 181) for  
12 which a deduction would have been al-  
13 lowable under section 181 without re-  
14 gard to subsections (a)(2) and (h) of  
15 such section or this subsection, and”,  
16 and

17 (B) in subclauses (IV) and (V) (as so  
18 amended) by striking “without regard to sub-  
19 sections (a)(2) and (g)” both places it appears  
20 and inserting “without regard to subsections  
21 (a)(2) and (h)”.

22 (2) PRODUCTION PLACED IN SERVICE.—Section  
23 168(k)(2)(H) is amended by striking “and” at the  
24 end of clause (i), by striking the period at the end



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

3 “(iii) a qualified sound recording pro-  
4 duction shall be considered to be placed in  
5 service at the time of initial release or  
6 broadcast.”.

7 (h) CONFORMING AMENDMENTS.—

8 (1) The heading for section 181 is amended to  
9 read as follows: “**TREATMENT OF CERTAIN**  
10 **QUALIFIED PRODUCTIONS.**”.

11 (2) The table of sections for part VI of sub-  
12 chapter B of chapter 1 is amended by striking the  
13 item relating to section 181 and inserting the fol-  
14 lowing new item:

“Sec. 181. Treatment of certain qualified productions.”.

15 (i) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to productions commencing in tax-  
17 able years ending after the date of the enactment of this  
18 Act.

19 **SEC. 70435. EXCLUSION OF INTEREST ON LOANS SECURED**  
20 **BY RURAL OR AGRICULTURAL REAL PROP-**  
21 **ERTY.**

22 (a) IN GENERAL.—Part III of subchapter B of chap-  
23 ter 1, as amended by the preceding provisions of this Act,  
24 is amended by inserting after section 139J the following  
25 new section:

1   **“SEC. 139K. INTEREST ON LOANS SECURED BY RURAL OR**  
2                   **AGRICULTURAL REAL PROPERTY.**

3           “(a) IN GENERAL.—Gross income shall not include  
4   25 percent of the interest received by a qualified lender  
5   on any qualified real estate loan.

6           “(b) QUALIFIED LENDER.—For purposes of this sec-  
7   tion, the term ‘qualified lender’ means—

8               “(1) any bank or savings association the depos-  
9               its of which are insured under the Federal Deposit  
10              Insurance Act (12 U.S.C. 1811 et seq.),

11              “(2) any State- or federally-regulated insurance  
12              company,

13              “(3) any entity wholly owned, directly or indi-  
14              rectly, by a company that is treated as a bank hold-  
15              ing company for purposes of section 8 of the Inter-  
16              national Banking Act of 1978 (12 U.S.C. 3106) if—

17                   “(A) such entity is organized, incor-  
18                   porated, or established under the laws of the  
19                   United States or any State, and

20                   “(B) the principal place of business of  
21                   such entity is in the United States (including  
22                   any territory of the United States),

23              “(4) any entity wholly owned, directly or indi-  
24              rectly, by a company that is considered an insurance  
25              holding company under the laws of any State if such

1       entity satisfies the requirements described in sub-  
2       paragraphs (A) and (B) of paragraph (3), and

3               “(5) with respect to interest received on a quali-  
4       fied real estate loan secured by real estate described  
5       in subsection (c)(3)(A), any federally chartered in-  
6       strumentality of the United States established under  
7       section 8.1(a) of the Farm Credit Act of 1971 (12  
8       U.S.C. 2279aa-1(a)).

9       “(c) QUALIFIED REAL ESTATE LOAN.—For purposes  
10   of this section—

11               “(1) IN GENERAL.—The term ‘qualified real es-  
12       tate loan’ means any loan—

13                       “(A) secured by—

14                               “(i) rural or agricultural real estate,  
15                               or

16                               “(ii) a leasehold mortgage (with a sta-  
17                               tus as a lien) on rural or agricultural real  
18                               estate,

19                       “(B) made to a person other than a speci-  
20       fied foreign entity (as defined in section  
21       7701(a)(51)), and

22                       “(C) made after the date of the enactment  
23       of this section.

24       For purposes of the preceding sentence, the deter-  
25       mination of whether property securing such loan is

1 rural or agricultural real estate shall be made as of  
2 the time the interest income on such loan is accrued.

3 “(2) REFINANCINGS.—For purposes of sub-  
4 paragraphs (A) and (C) of paragraph (1), a loan  
5 shall not be treated as made after the date of the  
6 enactment of this section to the extent that the pro-  
7 ceeds of such loan are used to refinance a loan  
8 which was made on or before the date of the enact-  
9 ment of this section (or, in the case of any series of  
10 refinancings, the original loan was made on or be-  
11 fore such date).

12 “(3) RURAL OR AGRICULTURAL REAL ES-  
13 TATE.—The term ‘rural or agricultural real estate’  
14 means—

15 “(A) any real property which is substan-  
16 tially used for the production of one or more  
17 agricultural products,

18 “(B) any real property which is substan-  
19 tially used in the trade or business of fishing or  
20 seafood processing, and

21 “(C) any aquaculture facility.

22 Such term shall not include any property which is  
23 not located in a State or a possession of the United  
24 States.

1           “(4) AQUACULTURE FACILITY.—The term  
2           ‘aquaculture facility’ means any land, structure, or  
3           other appurtenance that is used for aquaculture (in-  
4           cluding any hatchery, rearing pond, raceway, pen, or  
5           incubator).

6           “(d) COORDINATION WITH SECTION 265.—Qualified  
7           real estate loans shall be treated as obligations described  
8           in section 265(a)(2) the interest on which is wholly exempt  
9           from the taxes imposed by this subtitle.”.

10          (b) CLERICAL AMENDMENT.—The table of sections  
11          for part III of subchapter B of chapter 1, as amended  
12          by the preceding provisions of this Act, is amended by in-  
13          serting after the item relating to section 139J the fol-  
14          lowing new item:

          “Sec. 139K. Interest on loans secured by rural or agricultural real property.”.

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

18       **SEC. 70436. ELIMINATION OF TAX ON CERTAIN DEVICES**  
19                               **UNDER THE NATIONAL FIREARMS ACT.**

20          (a) DEFINITION OF FIREARM.—

21               (1) IN GENERAL.—Section 5845(a) is amended  
22               by striking the first sentence and inserting the fol-  
23               lowing: “The term ‘firearm’ means a machinegun or  
24               a destructive device.”.

1           (2) MODIFICATION OF TREATMENT OF SHOT-  
2           GUNS.—Section 5845(f) is amended by striking “ex-  
3           cept a shotgun or shotgun shell which the Secretary  
4           finds is generally recognized as particularly suitable  
5           for sporting purposes” and inserting “except shot-  
6           gun shells and any weapon that is designed to shoot  
7           shotgun shells”.

8           (3) CONFORMING AMENDMENT.—Section  
9           5811(a) is amended by striking “, except, the trans-  
10          fer tax on any firearm classified as any other weap-  
11          on under section 5845(e) shall be at the rate of \$5  
12          for each such firearm transferred”.

13          (4) EFFECTIVE DATE.—The amendments made  
14          by this subsection shall apply to calendar quarters  
15          beginning more than 90 days after the date of the  
16          enactment of this Act.

17          (b) TREATMENT OF CERTAIN DEVICES DETERMINED  
18 BY REFERENCE TO NATIONAL FIREARMS ACT.—Section  
19 5841 is amended by adding at the end the following:

20          “(f) REQUIREMENTS FOR SHORT-BARRELED RIFLES,  
21 SHORT-BARRELED SHOTGUNS, AND OTHER WEAPONS  
22 DETERMINED BY REFERENCE.—In the case of any reg-  
23 istration or licensing requirement under State or local law  
24 with respect to a short-barreled rifle, short-barreled shot-  
25 gun, or any other weapon (as defined in section 5845(e))

1 which is determined by reference to the National Firearms  
2 Act, any person who acquires or possesses such rifle, shot-  
3 gun, or other weapon in accordance with chapter 44 of  
4 title 18, United States Code, shall be treated as meeting  
5 any such registration or licensing requirement with respect  
6 to such rifle, shotgun, or other weapon.”.

7 **CHAPTER 5—ENDING GREEN NEW DEAL**  
8 **SPENDING, PROMOTING AMERICA-**  
9 **FIRST ENERGY, AND OTHER REFORMS**  
10 **Subchapter A—Termination of Green New**  
11 **Deal Subsidies**

12 **SEC. 70501. TERMINATION OF PREVIOUSLY-OWNED CLEAN**  
13 **VEHICLE CREDIT.**

14 Section 25E is amended by striking subsection (g)  
15 and inserting the following new subsection:

16 “(g) TERMINATION.—

17 “(1) IN GENERAL.—No credit shall be allowed  
18 under this section with respect to any vehicle ac-  
19 quired after the date described in paragraph (2).

20 “(2) APPLICABLE DATE.—The date described  
21 in this paragraph is the date which is 90 days after  
22 the date of enactment of this paragraph.”.

1   **SEC. 70502. TERMINATION OF CLEAN VEHICLE CREDIT.**

2           (a) IN GENERAL.—Section 30D is amended by strik-  
3   ing subsection (h) and inserting the following new sub-  
4   section:

5           “(h) TERMINATION.—

6                 “(1) IN GENERAL.—No credit shall be allowed  
7           under this section with respect to any vehicle ac-  
8           quired after the date described in paragraph (2).

9                 “(2) APPLICABLE DATE.—The date described  
10          in this paragraph is the date which is 180 days after  
11          the date of enactment of this paragraph.”.

12          (b) CONFORMING AMENDMENTS.—Section 30D(e) is  
13   amended—

14                 (1) in paragraph (1)(B)—

15                         (A) in clause (iii), by inserting “and” after  
16           the comma at the end,

17                         (B) in clause (iv), by striking “, and” and  
18           inserting a period, and

19                         (C) by striking clause (v), and

20                 (2) in paragraph (2)(B)—

21                         (A) in clause (ii), by inserting “and” after  
22           the comma at the end,

23                         (B) in clause (iii), by striking the comma  
24           at the end and inserting a period, and

25                         (C) by striking clauses (iv) through (vi).



1 **SEC. 70503. MODIFICATION AND TERMINATION OF QUALI-**  
2 **FIED COMMERCIAL CLEAN VEHICLES CRED-**  
3 **IT.**

4 (a) **ADDITIONAL REQUIREMENTS.**—Section 45W is  
5 amended—

6 (1) in subsection (c)(1), by inserting “(and, in  
7 the case of a vehicle which has a gross vehicle weight  
8 rating of less than 14,000 pounds, meets the re-  
9 quirements of section 30D(d)(1)(G))” after “section  
10 30D(d)(1)(C)”, and

11 (2) in subsection (d)—

12 (A) by striking paragraph (1) and insert-  
13 ing the following:

14 “(1) **IN GENERAL.**—

15 “(A) **PERSONAL VEHICLES.**—With respect  
16 to any vehicle with a gross vehicle weight rating  
17 of less than 14,000 pounds, rules similar to the  
18 rules under subsection (f) of section 30D (with-  
19 out regard to paragraph (10) thereof) shall  
20 apply for purposes of this section.

21 “(B) **COMMERCIAL VEHICLES.**—With re-  
22 spect to any vehicle not described in subpara-  
23 graph (A), rules similar to the rules under sub-  
24 section (f) of section 30D (without regard to  
25 paragraph (10) or (11) thereof) shall apply for  
26 purposes of this section.”, and

1 (B) by adding at the end the following new  
2 paragraph:

3 “(4) EXCLUDED VEHICLES.—For purposes of  
4 this section, the term ‘qualified commercial clean ve-  
5 hicle’ shall not include any vehicle which has a gross  
6 vehicle weight rating of less than 14,000 pounds—

7 “(A) which is described in subparagraph  
8 (A) or (B) of section 30D(d)(7), or

9 “(B) with respect to which the require-  
10 ments described in paragraphs (1)(A) and  
11 (2)(A) of section 30D(e) are not satisfied.”.

12 (b) TERMINATION.—Section 45W is amended by  
13 striking subsection (g) and inserting the following new  
14 subsection:

15 “(g) TERMINATION.—

16 “(1) IN GENERAL.—No credit shall be deter-  
17 mined under this section with respect to any vehicle  
18 acquired after the date described in paragraph (2).

19 “(2) APPLICABLE DATE.—The date described  
20 in this paragraph is the date which is 180 days after  
21 the date of enactment of this paragraph.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 subsection (a) shall apply to vehicles acquired after June  
24 16, 2025.

1   **SEC. 70504. TERMINATION OF ALTERNATIVE FUEL VEHICLE**  
2                   **REFUELING PROPERTY CREDIT.**

3           Section 30C is amended by striking subsection (i)  
4   and inserting the following new subsection:

5           “(i) **TERMINATION.**—

6                   “(1) **IN GENERAL.**—This section shall not apply  
7           to any property placed in service after the date de-  
8           scribed in paragraph (2).

9                   “(2) **APPLICABLE DATE.**—The date described  
10          in this paragraph is the date which is 12 months  
11          after the date of enactment of this paragraph.”.

12   **SEC. 70505. TERMINATION OF ENERGY EFFICIENT HOME**  
13                   **IMPROVEMENT CREDIT.**

14          (a) **IN GENERAL.**—Section 25C is amended by strik-  
15   ing subsection (h) and inserting the following new sub-  
16   section:

17          “(h) **TERMINATION.**—

18                   “(1) **IN GENERAL.**—This section shall not apply  
19          with respect to any property placed in service after  
20          the date described in paragraph (2).

21                   “(2) **APPLICABLE DATE.**—The date described  
22          in this paragraph is the date which is 180 days after  
23          the date of enactment of this paragraph.”.

24          (b) **CONFORMING AMENDMENT.**—

25                  (1) Section 25C(d)(2)(C) is amended to read as  
26          follows:

1                   “(C) Any oil furnace or hot water boiler  
2                   which—

3                   “(i) meets or exceeds 2021 Energy  
4                   Star efficiency criteria, and

5                   “(ii) is rated by the manufacturer for  
6                   use with fuel blends at least 20 percent of  
7                   the volume of which consists of an eligible  
8                   fuel.”.

9   **SEC. 70506. TERMINATION OF RESIDENTIAL CLEAN EN-**  
10                   **ERGY CREDIT.**

11           (a) IN GENERAL.—Section 25D is amended by strik-  
12   ing subsection (h) and inserting the following new sub-  
13   section:

14           “(h) TERMINATION.—

15                   “(1) IN GENERAL.—The credit allowed under  
16           this section shall not apply with respect to any ex-  
17           penditures made after the date described in para-  
18           graph (2).

19                   “(2) APPLICABLE DATE.—The date described  
20           in this paragraph is the date which is 180 days after  
21           the date of enactment of this paragraph.”.

22           (b) CONFORMING AMENDMENTS.—Section 25D(g) is  
23   amended—

24                   (1) in paragraph (2), by inserting “and” after  
25           the comma at the end,

1           (2) in paragraph (3), by striking “ and before  
2       January 1, 2033, 30 percent,” and inserting “30  
3       percent.”, and

4           (3) by striking paragraphs (4) and (5).

5   **SEC. 70507. TERMINATION OF ENERGY EFFICIENT COM-**  
6                   **MERCIAL BUILDINGS DEDUCTION.**

7       Section 179D is amended by adding at the end fol-  
8       lowing new subsection:

9       “(i) **TERMINATION.**—This section shall not apply  
10      with respect to property the construction of which begins  
11      after the date which is 12 months after the date of enact-  
12      ment of this subsection.”.

13   **SEC. 70508. TERMINATION OF NEW ENERGY EFFICIENT**  
14                   **HOME CREDIT.**

15      Section 45L is amended by striking subsection (h)  
16      and inserting the following new subsection:

17      “(h) **TERMINATION.**—

18           “(1) **IN GENERAL.**—This section shall not apply  
19      to any qualified new energy efficient home acquired  
20      after the date described in paragraph (2).

21           “(2) **APPLICABLE DATE.**—The date described  
22      in this paragraph is the date which is 12 months  
23      after the date of enactment of this paragraph.”.

1 **SEC. 70509. TERMINATION OF COST RECOVERY FOR QUALI-**  
2 **FIED CLEAN ENERGY FACILITIES, PROPERTY,**  
3 **AND TECHNOLOGY.**

4 (a) IN GENERAL.—Section 168(e)(3)(B) is amend-  
5 ed—

6 (1) in clause (vi)(III), by adding “and” at the  
7 end,

8 (2) in clause (vii), by striking “, and” and in-  
9 serting a period, and

10 (3) by striking clause (viii).

11 (b) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to property placed in service after  
13 the date of enactment of this Act.

14 **SEC. 70510. MODIFICATIONS OF ZERO-EMISSION NUCLEAR**  
15 **POWER PRODUCTION CREDIT.**

16 (a) 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 shall be de-  
22 termined under subsection (a) for any taxable  
23 year beginning after the date of enactment of  
24 this paragraph if the taxpayer is a specified for-  
25 eign entity (as defined in section  
26 7701(a)(51)(B)).

1                   “(B) OTHER PROHIBITED FOREIGN ENTI-  
2                   TIES.—No credit shall be determined under  
3                   subsection (a) for any taxable year beginning  
4                   after the date which is 2 years after the date  
5                   of enactment of this paragraph if the taxpayer  
6                   is a foreign-influenced entity (as defined in sec-  
7                   tion 7701(a)(51)(D), without regard to clause  
8                   (i)(II) thereof).”.

9           (b) PROHIBITION WITH RESPECT TO NUCLEAR  
10 POWER FACILITIES USING NUCLEAR FUEL PRODUCED IN  
11 COVERED NATIONS OR BY COVERED ENTITIES.—Section  
12 45U, as amended by subsection (a) of this section, is  
13 amended—

14           (1) in subsection (b)(1)—

15                   (A) by redesignating subparagraphs (B)  
16                   and (C) as subparagraphs (C) and (D), respec-  
17                   tively, and

18                   (B) by inserting after subparagraph (A)  
19                   the following new subparagraph:

20                   “(B) which satisfies the requirements de-  
21                   scribed in subsection (c)(4),”, and

22           (2) in subsection (c), by adding at the end the  
23           following new paragraph:

24                   “(4) RESTRICTIONS RELATING TO USE OF CER-  
25                   TAIN IMPORTED NUCLEAR FUEL.—

1           “(A) IN GENERAL.—For any taxable year,  
2           the requirements described in this paragraph  
3           with respect to any nuclear facility are that—

4                   “(i) with respect to any nuclear fuel  
5                   used by such facility during such taxable  
6                   year, such fuel was not—

7                           “(I) produced in a covered nation  
8                           or by a covered entity,

9                           “(II) exchanged with, traded for,  
10                          or substituted for nuclear fuel de-  
11                          scribed in subclause (I), or

12                          “(III) otherwise obtained in lieu  
13                          of nuclear fuel described in subclause  
14                          (I) in a manner which is designed to  
15                          circumvent the purposes of this para-  
16                          graph, and

17                          “(ii) the taxpayer shall certify to the  
18                          Secretary (at such time and in such form  
19                          and manner as the Secretary may pre-  
20                          scribe) that any fuel used by such facility  
21                          during such taxable year complies with the  
22                          requirements described in clause (i).

23           “(B) EXCEPTION.—The requirements de-  
24           scribed in subparagraph (A) shall not apply  
25           with respect to any nuclear fuel which was ac-



1           quired by the taxpayer pursuant to a binding  
2           written contract in effect before January 1,  
3           2023, and which was not modified in any mate-  
4           rial respect on or after such date.

5           “(C) OTHER DEFINITIONS.—In this para-  
6           graph—

7                   “(i) COVERED ENTITY.—The term  
8                   ‘covered entity’ means an entity organized  
9                   under the laws of, or otherwise subject to  
10                  the jurisdiction of, the government of a  
11                  covered nation.

12                   “(ii) COVERED NATION.—The term  
13                   ‘covered nation’ has the same meaning  
14                   given such term under section 4872(f) of  
15                   title 10, United States Code.”.

16           (c) EFFECTIVE DATES.—

17                   (1) RESTRICTIONS RELATING TO PROHIBITED  
18                   FOREIGN ENTITIES.—The amendments made by  
19                   subsection (a) shall apply to taxable years beginning  
20                   after the date of enactment of this Act.

21                   (2) RESTRICTIONS RELATING TO USE OF CER-  
22                   TAIN IMPORTED NUCLEAR FUEL.—The amendments  
23                   made by subsection (b) shall apply to taxable years  
24                   beginning after December 31, 2027.

1   **SEC. 70511. 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. 70512. PHASE-OUT AND RESTRICTIONS ON CLEAN**  
10                   **ELECTRICITY PRODUCTION CREDIT.**

11          (a) **CREDIT PHASE-OUT.**—Section 45Y(d) is amend-  
12   ed—

13               (1) in paragraph (1), by striking “The amount  
14       of” and inserting “Subject to paragraph (4), the  
15       amount of”, and

16               (2) by striking paragraph (3) and inserting the  
17       following new paragraphs:

18                   “(3) **APPLICABLE YEAR.**—For purposes of this  
19       subsection, the term ‘applicable year’ means cal-  
20       endar year 2032.

21                   “(4) **PHASE-OUT FOR WIND AND SOLAR FACILI-**  
22       **TIES.**—

23                       “(A) **IN GENERAL.**—The amount of the  
24       clean electricity production credit under sub-  
25       section (a) for any applicable facility the con-  
26       struction of which begins during a calendar

1           year described in subparagraph (B) shall be  
2           equal to the product of—

3                   “(i) the amount of the credit deter-  
4                   mined under subsection (a) without regard  
5                   to this paragraph, multiplied by

6                   “(ii) the phase-out percentage under  
7                   subparagraph (B).

8           “(B)    PHASE-OUT    PERCENTAGE.—The  
9           phase-out percentage under this subparagraph  
10          is equal to—

11                   “(i) for an applicable facility the con-  
12                   struction of which begins during calendar  
13                   year 2026, 60 percent,

14                   “(ii) for an applicable facility the con-  
15                   struction of which begins during calendar  
16                   year 2027, 20 percent, and

17                   “(iii) for an applicable facility the  
18                   construction of which begins after Decem-  
19                   ber 31, 2027, 0 percent.

20           “(C)    APPLICABLE   FACILITY.—For pur-  
21           poses of this paragraph, the term ‘applicable fa-  
22           cility’ means a qualified facility which—

23                   “(i) uses wind to produce electricity  
24                   (within the meaning of such term as used  
25                   in section 45(d)(1)), or

1 “(ii) uses solar energy to produce elec-  
2 tricity (within the meaning of such term as  
3 used in section 45(d)(4)).

4 “(D) EXCEPTION.—This paragraph shall  
5 not apply with respect to any facility owned by  
6 a taxpayer which is part of a single project—

7 “(i) which has more than 1,000  
8 megawatts of nameplate electricity genera-  
9 tion capacity, and

10 “(ii) more than 25 percent of which is  
11 placed in service on land owned or con-  
12 trolled by the United States for which a  
13 right-of-way grant or lease was executed  
14 on or before June 16, 2025, by the Bureau  
15 of Land Management.”.

16 (b) RESTRICTIONS RELATING TO PROHIBITED FOR-  
17 EIGN ENTITIES.—Section 45Y is amended—

18 (1) in subsection (b)(1), by adding at the end  
19 the following new subparagraph:

20 “(E) MATERIAL ASSISTANCE FROM PRO-  
21 HIBITED FOREIGN ENTITIES.—The term ‘quali-  
22 fied facility’ shall not include any facility for  
23 which construction begins after December 31,  
24 2025 if the construction of such facility in-  
25 cludes any material assistance from a prohib-

1           ited foreign entity (as defined in section  
2           7701(a)(52)).”, and

3           (2) in subsection (g), by adding at the end the  
4           following new paragraph:

5           “(13) RESTRICTIONS RELATING TO PROHIB-  
6           ITED FOREIGN ENTITIES.—No credit shall be deter-  
7           mined under subsection (a) for any taxable year be-  
8           ginning after the date of enactment of this para-  
9           graph if the taxpayer is a prohibited foreign entity.”.

10          (c) 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.—

15                                 “(i) DEFINITION.—The term ‘prohib-  
16                                 ited foreign entity’ means a specified for-  
17                                 eign entity or a foreign-influenced entity.

18                                 “(ii) DETERMINATION.—

19   “(I) IN GENERAL.—Subject to  
20   subclause (II), for any taxable year,  
21   the determination as to whether an  
22   entity is a specified foreign entity or  
23   foreign-influenced entity shall be  
24   made as of the last day of such tax-  
25   able year.

1 “(II) INITIAL TAXABLE YEAR.—

2 For purposes of the first taxable year  
3 beginning after the date of enactment  
4 of this paragraph, the determination  
5 as to whether an entity is a specified  
6 foreign entity described in clauses (i)  
7 through (iv) of subparagraph (B)  
8 shall be made as of the first day of  
9 such taxable year.

10 “(B) SPECIFIED FOREIGN ENTITY.—For  
11 purposes of subparagraph (A), the term ‘speci-  
12 fied foreign entity’ means—

13 “(i) a foreign entity of concern de-  
14 scribed in subparagraph (A), (B), (D), or  
15 (E) of section 9901(8) of the William M.  
16 (Mac) Thornberry National Defense Au-  
17 thorization Act for Fiscal Year 2021 (Pub-  
18 lic Law 116–283; 15 U.S.C. 4651),

19 “(ii) an entity identified as a Chinese  
20 military company operating in the United  
21 States in accordance with section 1260H  
22 of the William M. (Mac) Thornberry Na-  
23 tional Defense Authorization Act for Fiscal  
24 Year 2021 (Public Law 116–283; 10  
25 U.S.C. 113 note),

1 “(iii) an entity included on a list re-  
2 quired by clause (i), (ii), (iv), or (v) of sec-  
3 tion 2(d)(2)(B) of Public Law 117–78  
4 (135 Stat. 1527),

5 “(iv) an entity specified under section  
6 154(b) of the National Defense Authoriza-  
7 tion Act for Fiscal Year 2024 (Public Law  
8 118–31; 10 U.S.C. note prec. 4651), or

9 “(v) a foreign-controlled entity.

10 “(C) FOREIGN-CONTROLLED ENTITY.—For  
11 purposes of subparagraph (B), the term ‘for-  
12 eign-controlled entity’ means—

13 “(i) the government (including any  
14 level of government below the national  
15 level) of a covered nation (as defined in  
16 section 4872(f)(2) of title 10, United  
17 States Code),

18 “(ii) an agency or instrumentality of a  
19 government described in clause (i),

20 “(iii) a person who is a citizen or na-  
21 tional of a covered nation, provided that  
22 such person is not an individual who is a  
23 citizen or lawful permanent resident of the  
24 United States,

1 “(iv) an entity or a qualified business  
2 unit (as defined in section 989(a)) incor-  
3 porated or organized under the laws of, or  
4 having its principal place of business in, a  
5 covered nation, or

6 “(v) an entity (including subsidiary  
7 entities) controlled (as determined under  
8 subparagraph (G)) by an entity described  
9 in clause (i), (ii), (iii), or (iv).

10 “(D) FOREIGN-INFLUENCED ENTITY.—

11 “(i) IN GENERAL.—For purposes of  
12 subparagraph (A), the term ‘foreign-influ-  
13 enced entity’ means an entity—

14 “(I) with respect to which, dur-  
15 ing the taxable year—

16 “(aa) a specified foreign en-  
17 tity has the direct or indirect au-  
18 thority to appoint a covered offi-  
19 cer of such entity,

20 “(bb) a single specified for-  
21 eign entity owns at least 25 per-  
22 cent of such entity,

23 “(cc) one or more specified  
24 foreign entities own in the aggre-



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1                   gate at least 40 percent of such  
2                   entity, or

3                   “(dd) at least 40 percent of  
4                   the debt of such entity is held in  
5                   the aggregate by one or more  
6                   specified foreign entities, or

7                   “(II) which, during the previous  
8                   taxable year, made a payment to a  
9                   specified foreign entity pursuant to a  
10                  contract, agreement, or other arrange-  
11                  ment which entitles such specified for-  
12                  eign entity (or an entity related to  
13                  such specified foreign entity) to exer-  
14                  cise effective control over—

15                  “(aa) any qualified facility  
16                  or energy storage technology of  
17                  the taxpayer (or any person re-  
18                  lated to the taxpayer), or

19                  “(bb) with respect to any el-  
20                  igible component produced by the  
21                  taxpayer (or any person related  
22                  to the taxpayer)—

23                  “(AA) the extraction,  
24                  processing, or recycling of

1 any applicable critical min-  
2 eral, or

3 “(BB) the production  
4 of an eligible component  
5 which is not an applicable  
6 critical mineral.

7 “(ii) EFFECTIVE CONTROL.—

8 “(I) IN GENERAL.—

9 “(aa) GENERAL RULE.—

10 Subject to subclause (II), for  
11 purposes of clause (i)(II), the  
12 term ‘effective control’ means 1  
13 or more agreements or arrange-  
14 ments similar to those described  
15 in subclauses (II) and (III) which  
16 provide 1 or more contractual  
17 counterparties of a taxpayer with  
18 specific authority over key as-  
19 pects of the production of eligible  
20 components, energy generation,  
21 or energy storage which are not  
22 included in the measures of con-  
23 trol through authority, owner-  
24 ship, or debt held which are de-  
25 scribed in clause (i)(I).

“(bb) GUIDANCE.—The Secretary, in consultation with the Secretary of Energy, shall issue such guidance as is necessary to carry out the purposes of clause (i), including the establishment of rules to prevent entities from evading, circumventing, or abusing the application of the restrictions described subparagraph (C) and subclauses (II) and (III) of this clause through a contract, agreement, or other arrangement.

14 “(II) APPLICATION OF RULES  
15 PRIOR TO ISSUANCE OF GUIDANCE.—  
16 During any period prior to the date  
17 that the guidance described in sub-  
18 clause (I)(bb) is issued by the Sec-  
19 retary, for purposes of clause (i)(II),  
20 the term ‘effective control’ means the  
21 unrestricted contractual right of a  
22 contractual counterparty to—

23 “(aa) determine the quantity  
24 or timing of production of an eli-

1                   gible component produced by the  
2                   taxpayer,

3                   “(bb) determine the amount  
4                   or timing of activities related to  
5                   the production of electricity un-  
6                   dertaken at a qualified facility of  
7                   the taxpayer or the storage of  
8                   electrical energy in energy stor-  
9                   age technology of the taxpayer,

10                  “(cc) determine which entity  
11                  may purchase or use the output  
12                  of a production unit of the tax-  
13                  payer that produces eligible com-  
14                  ponents,

15                  “(dd) determine which entity  
16                  may purchase or use the output  
17                  of a qualified facility of the tax-  
18                  payer,

19                  “(ee) restrict access to data  
20                  critical to production or storage  
21                  of energy undertaken at a quali-  
22                  fied facility of the taxpayer, or to  
23                  the site of production or any part  
24                  of a qualified facility or energy  
25                  storage technology of the tax-

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1 payer, to the personnel or agents  
2 of such contractual counterparty,  
3 or

4 “(ff) on an exclusive basis,  
5 maintain, repair, or operate any  
6 plant or equipment which is nec-  
7 essary to the production by the  
8 taxpayer of eligible components  
9 or electricity.

10 “(III) LICENSING AND OTHER  
11 AGREEMENTS.—

12 “(aa) IN GENERAL.—In ad-  
13 dition to subclause (II), for pur-  
14 poses of clause (i)(II), the term  
15 ‘effective control’ means, with re-  
16 spect to a licensing agreement for  
17 the provision of intellectual prop-  
18 erty or any other contract, agree-  
19 ment, or other arrangement en-  
20 tered into with contractual  
21 counterparty which is related to a  
22 qualified facility, energy storage  
23 technology, or the production of  
24 an eligible component, any of the  
25 following:

1 “(AA) A contractual  
2 right retained by the con-  
3 tractual counterparty to  
4 specify or otherwise direct 1  
5 or more sources of compo-  
6 nents, subcomponents, or  
7 applicable critical minerals  
8 utilized in a qualified facil-  
9 ity, energy storage tech-  
10 nology, or in the production  
11 of an eligible component.

12 “(BB) A contractual  
13 right retained by the con-  
14 tractual counterparty to di-  
15 rect the operation of any  
16 qualified facility, any energy  
17 storage technology, or any  
18 production unit that pro-  
19 duces an eligible component.

20 “(CC) A contractual  
21 right retained by the con-  
22 tractual counterparty to  
23 limit the taxpayer’s utiliza-  
24 tion of intellectual property  
25 related to the operation of a

1 qualified facility or energy  
2 storage technology, or in the  
3 production of an eligible  
4 component.

5 “(DD) A contractual  
6 right retained by the con-  
7 tractual counterparty to re-  
8 ceive royalties under the li-  
9 censing agreement or any  
10 similar agreement (or pay-  
11 ments under any related  
12 agreement) beyond the 10th  
13 year of the agreement (in-  
14 cluding modifications or ex-  
15 tensions thereof).

16 “(EE) A contractual  
17 right retained by the con-  
18 tractual counterparty to di-  
19 rect or otherwise require the  
20 taxpayer (or any related  
21 party) to enter into an  
22 agreement for the provision  
23 of services for a duration  
24 longer than 2 years (includ-

1 ing any modifications or ex-  
2 tensions thereof).

3 “(FF) The contract,  
4 agreement, or other arrange-  
5 ment does not provide the li-  
6 censee with all the technical  
7 data, information, and  
8 know-how necessary to en-  
9 able the licensee to produce  
10 the eligible component or  
11 components subject to the  
12 contract, agreement, or  
13 other arrangement without  
14 further involvement from the  
15 contractual counterparty or  
16 a specified foreign entity.

17 “(GG) The contract,  
18 agreement, or other arrange-  
19 ment was entered into (or  
20 modified) on or after the  
21 date of introduction.

22 “(bb) EXCEPTION.—

23 “(AA) IN GENERAL.—  
24 Item (aa) shall not apply in  
25 the case of a bona fide pur-



1 chase or sale of intellectual  
2 property.

3 “(BB) BONA FIDE PUR-  
4 CHASE OR SALE.—For pur-  
5 poses of item (aa), any pur-  
6 chase or sale of intellectual  
7 property where the agree-  
8 ment provides that owner-  
9 ship of the intellectual prop-  
10 erty reverts to the contrac-  
11 tual counterparty after a pe-  
12 riod of time shall not be  
13 considered a bona-fide pur-  
14 chase or sale.

15 “(IV) PERSONS RELATED TO  
16 THE TAXPAYER.—For purposes of  
17 subclause (I), the term ‘taxpayer’  
18 shall include any person related to the  
19 taxpayer.

20 “(V) CONTRACTUAL  
21 COUNTERPARTY.—For purposes of  
22 this clause, the term ‘contractual  
23 counterparty’ means—

24 “(aa) an entity with which  
25 the taxpayer has entered into a

1 contract, agreement, or other ar-  
2 rangement, and

3 “(bb) any person related to  
4 the entity described in item (aa).

5 “(iii) GUIDANCE.—The Secretary, in  
6 consultation with the Secretary of Energy,  
7 shall issue such guidance as is necessary to  
8 carry out the purposes of this subpara-  
9 graph, including establishment of rules to  
10 prevent entities from evading, circum-  
11 venting, or abusing the application of the  
12 restrictions against impermissible tech-  
13 nology licensing arrangements with speci-  
14 fied foreign entities, such as through tem-  
15 porary transfers of intellectual property,  
16 retention by a specified foreign entity of a  
17 reversionary interest in transferred intel-  
18 lectual property, or otherwise.

19 “(E) PUBLICLY TRADED ENTITIES.—

20 “(i) IN GENERAL.—Subparagraph  
21 (D)(i)(I) shall not apply in the case of any  
22 entity the securities of which are regularly  
23 traded on—

1 “(I) a national securities ex-  
2 change which is registered with the  
3 Securities and Exchange Commission,

4 “(II) the national market system  
5 established pursuant to section 11A of  
6 the Securities and Exchange Act of  
7 1934, or

8 “(III) any other exchange or  
9 other market which the Secretary has  
10 determined in guidance issued under  
11 section 1296(e)(1)(A)(ii) has rules  
12 adequate to carry out the purposes of  
13 part VI of subchapter P of chapter 1  
14 of subtitle A.

15 “(ii) ADDITIONAL REQUIREMENTS  
16 FOR PUBLICLY TRADED COMPANIES.—In  
17 the case of an entity described in clause  
18 (i), such entity shall be deemed to be a for-  
19 eign-influenced entity if—

20 “(I) such entity is described in  
21 subparagraph (D)(i)(II), or

22 “(II) during the taxable year—

23 “(aa) a specified foreign en-  
24 tity has the authority to appoint  
25 a covered officer of such entity,

1                   “(bb) a single specified for-  
2                   eign entity required to report its  
3                   beneficial ownership under Rule  
4                   13d-3 of the Securities and Ex-  
5                   change Act of 1934 owns not less  
6                   than 25 percent of such entity, or

7                   “(cc) 1 or more specified  
8                   foreign entities that are each re-  
9                   quired to report their beneficial  
10                  ownership under Rule 13d-3 of  
11                  the Securities and Exchange Act  
12                  of 1934 own, in the aggregate,  
13                  not less than 40 percent of such  
14                  entity, or

15                  “(III) such entity has issued debt  
16                  in excess of 15 percent of its publicly-  
17                  traded debt to 1 or more specified for-  
18                  eign entities.

19                  “(F) COVERED OFFICER.—For purposes of  
20                  this paragraph, the term ‘covered officer’  
21                  means, with respect to an entity—

22                  “(i) a member of the board of direc-  
23                  tors, board of supervisors, or equivalent  
24                  governing body,

1                   “(ii) an executive-level officer, includ-  
2                   ing the president, chief executive officer,  
3                   chief operating officer, chief financial offi-  
4                   cer, general counsel, or senior vice presi-  
5                   dent, or

6                   “(iii) an individual having powers or  
7                   responsibilities similar to those of officers  
8                   or members described in clause (i) or (ii).

9                   “(G) DETERMINATION OF CONTROL.—For  
10                  purposes of subparagraph (C)(v), the term ‘con-  
11                  trol’ means—

12                  “(i) in the case of a corporation, own-  
13                  ership (by vote or value) of more than 50  
14                  percent of the stock in such corporation,

15                  “(ii) in the case of a partnership,  
16                  ownership of more than 50 percent of the  
17                  profits interests or capital interests in such  
18                  partnership, or

19                  “(iii) in any other case, ownership of  
20                  more than 50 percent of the beneficial in-  
21                  terests in the entity.

22                  “(H) DETERMINATION OF OWNERSHIP.—  
23                  For purposes of this section, section 318(a)(2)  
24                  shall apply for purposes of determining owner-  
25                  ship of stock in a corporation. Similar prin-

1 ciples shall apply for purposes of determining  
2 ownership of interests in any other entity.

3 “(I) OTHER DEFINITIONS.—For purposes  
4 of this paragraph—

5 “(i) APPLICABLE CRITICAL MIN-  
6 ERAL.—The term ‘applicable critical min-  
7 eral’ means has the same meaning given  
8 such term under section 45X(c)(6).

9 “(ii) ELIGIBLE COMPONENT.—The  
10 term ‘eligible component’ has the same  
11 meaning given such term under section  
12 45X(c)(1).

13 “(iii) ENERGY STORAGE TECH-  
14 NOLOGY.—The term ‘energy storage tech-  
15 nology’ has the same meaning given such  
16 term under section 48E(c)(2).

17 “(iv) QUALIFIED FACILITY.—The  
18 term ‘qualified facility’ means—

19 “(I) a qualified facility, as de-  
20 fined in section 45Y(b)(1), and

21 “(II) a qualified facility, as de-  
22 fined in section 48E(b)(3).

23 “(v) RELATED.—The term ‘related’  
24 shall have the same meaning given such  
25 term under sections 267(b) and 707(b).

1                   “(J) REGULATIONS AND GUIDANCE.—The  
2                   Secretary may prescribe such regulations and  
3                   guidance as may be necessary or appropriate to  
4                   carry out the provisions of this paragraph.

5                   “(52) MATERIAL ASSISTANCE FROM A PROHIB-  
6                   ITED FOREIGN ENTITY.—

7                   “(A) IN GENERAL.—The term ‘material  
8                   assistance from a prohibited foreign entity’  
9                   means—

10                   “(i) with respect to any qualified facil-  
11                   ity or energy storage technology, a mate-  
12                   rial assistance cost ratio which is less than  
13                   the threshold percentage applicable under  
14                   subparagraph (B), or

15                   “(ii) with respect to any product line  
16                   which produces eligible components, a ma-  
17                   terial assistance cost ratio which is less  
18                   than the threshold percentage applicable  
19                   under subparagraph (C).

20                   “(B) THRESHOLD PERCENTAGE FOR  
21                   QUALIFIED FACILITIES AND ENERGY STORAGE  
22                   TECHNOLOGY.—For purposes of subparagraph  
23                   (A)(i), the threshold percentage shall be—

24                   “(i) for a qualified facility or energy  
25                   storage technology the construction of

1 which begins during calendar year 2026,  
2 40 percent,

3 “(ii) for a qualified facility or energy  
4 storage technology the construction of  
5 which begins during calendar year 2027,  
6 45 percent,

7 “(iii) for a qualified facility or energy  
8 storage technology the construction of  
9 which begins during calendar year 2028,  
10 50 percent,

11 “(iv) for a qualified facility or energy  
12 storage technology the construction of  
13 which begins during calendar year 2029,  
14 55 percent, and

15 “(v) for a qualified facility or energy  
16 storage technology the construction of  
17 which begins after December 31, 2029, 60  
18 percent.

19 “(C) THRESHOLD PERCENTAGE FOR ELI-  
20 GIBLE COMPONENTS.—For purposes of sub-  
21 paragraph (A)(ii), the threshold percentage  
22 shall be—

23 “(i) in the case of any solar energy  
24 component (as such term is defined in sec-  
25 tion 45X(c)(3)(A))—



1 “(I) which is sold during cal-  
2 endar year 2026, 50 percent,

3 “(II) which is sold during cal-  
4 endar year 2027, 60 percent,

5 “(III) which is sold during cal-  
6 endar year 2028, 70 percent,

7 “(IV) which is sold during cal-  
8 endar year 2029, 80 percent, and

9 “(V) which is sold after Decem-  
10 ber 31, 2029, 85 percent,

11 “(ii) in the case of any wind energy  
12 component (as such term is defined in sec-  
13 tion 45X(c)(4)(A))—

14 “(I) which is sold during cal-  
15 endar year 2026, 85 percent, and

16 “(II) which is sold during cal-  
17 endar year 2027, 90 percent,

18 “(iii) in the case of any inverter de-  
19 scribed in subparagraphs (B) through (G)  
20 of section 45X(c)(2)—

21 “(I) which is sold during cal-  
22 endar year 2026, 50 percent,

23 “(II) which is sold during cal-  
24 endar year 2027, 55 percent,

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1 “(III) which is sold during cal-  
2 endar year 2028, 60 percent,

3 “(IV) which is sold during cal-  
4 endar year 2029, 65 percent, and

5 “(V) which is sold after Decem-  
6 ber 31, 2029, 70 percent,

7 “(iv) in the case of any qualifying bat-  
8 tery component (as such term is defined in  
9 section 45X(c)(5)(A))—

10 “(I) which is sold during cal-  
11 endar year 2026, 60 percent,

12 “(II) which is sold during cal-  
13 endar year 2027, 65 percent,

14 “(III) which is sold during cal-  
15 endar year 2028, 70 percent,

16 “(IV) which is sold during cal-  
17 endar year 2029, 80 percent, and

18 “(V) which is sold after Decem-  
19 ber 31, 2029, 85 percent, and

20 “(v) in the case of any applicable crit-  
21 ical mineral (as such term is defined in  
22 section 45X(c)(6))—

23 “(I) which is sold after December  
24 31, 2025, and before January 1,  
25 2030, 0 percent,

1 “(II) which is sold during cal-  
2 endar year 2030, 25 percent,

3 “(III) which is sold during cal-  
4 endar year 2031, 30 percent,

5 “(IV) which is sold during cal-  
6 endar year 2032, 40 percent, and

7 “(V) which is sold after Decem-  
8 ber 31, 2032, 50 percent.

9 “(D) MATERIAL ASSISTANCE COST  
10 RATIO.—

11 “(i) QUALIFIED FACILITIES AND EN-  
12 ERGY STORAGE TECHNOLOGY.—For pur-  
13 poses of subparagraph (A)(i), the term  
14 ‘material assistance cost ratio’ means the  
15 amount (expressed as a percentage) equal  
16 to the quotient of—

17 “(I) an amount equal to—

18 “(aa) the total costs to the  
19 taxpayer attributable to all man-  
20 ufactured products (including  
21 components) which are incor-  
22 porated into the qualified facility  
23 or energy storage technology  
24 upon completion of construction,  
25 minus

1 “(bb) the total costs to the  
2 taxpayer attributable to all man-  
3 ufactured products (including  
4 components) which are—

5 “(AA) incorporated into  
6 the qualified facility or en-  
7 ergy storage technology  
8 upon completion of construc-  
9 tion, and

10 “(BB) mined, pro-  
11 duced, or manufactured by a  
12 prohibited foreign entity, di-  
13 vided by

14 “(II) the amount described in  
15 subclause (I)(aa).

16 “(ii) ELIGIBLE COMPONENTS.—For  
17 purposes of subparagraph (A)(ii), the term  
18 ‘material assistance cost ratio’ means the  
19 amount (expressed as a percentage) equal  
20 to the quotient of—

21 “(I) an amount equal to—

22 “(aa) with respect to an eli-  
23 gible component, the total direct  
24 materials costs that are paid or  
25 incurred (within the meaning of

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1 section 461 and any regulations  
2 issued under section 263A) by  
3 the taxpayer for production of  
4 such eligible component, minus

5 “(bb) with respect to an eli-  
6 gible component, the total direct  
7 materials costs that are paid or  
8 incurred (within the meaning of  
9 section 461 and any regulations  
10 issued under section 263A) by  
11 the taxpayer for production of  
12 such eligible component that are  
13 attributable to a prohibited for-  
14 eign entity, divided by

15 “(II) the amount described in  
16 subclause (I)(aa).

17 “(iii) DEFINITIONS.—For purposes of  
18 this subparagraph—

19 “(I) MANUFACTURED PROD-  
20 UCT.—The term ‘manufactured prod-  
21 uct’ means a manufactured product  
22 (as defined under Internal Revenue  
23 Service Notice 2023–38 (as in effect  
24 on the date of enactment of this para-

1 graph)) which is a component of a  
2 qualified facility.

3 “(II) ELIGIBLE COMPONENT.—

4 The term ‘eligible component’ has the  
5 same meaning given such term under  
6 section 45X(c)(1).

7 “(iv) SAFE HARBOR TABLES.—

8 “(I) IN GENERAL.—Not later  
9 than December 31, 2026, the Sec-  
10 retary, in consultation with the Sec-  
11 retary of Energy, shall issue safe har-  
12 bor tables which identify the percent-  
13 age of the total direct material costs  
14 of any manufactured product or eligi-  
15 ble component which is attributable to  
16 a prohibited foreign entity.

17 “(II) SAFE HARBORS PRIOR TO  
18 ISSUANCE.—For purposes of this  
19 paragraph, prior to the date on which  
20 the Secretary issues the safe harbor  
21 tables described in subclause (I), and  
22 for construction of a qualified facility  
23 which begins on or before the date  
24 which is 60 days after the date of

1 issuance of such tables, a taxpayer  
2 may—

3 “(aa) use the tables included  
4 in Internal Revenue Service No-  
5 tice 2025–08 to establish the per-  
6 centage of the total direct mate-  
7 rial costs of any listed eligible  
8 component and any manufac-  
9 tured product, and

10 “(bb) rely on a certification  
11 by the supplier of the manufac-  
12 tured product, eligible compo-  
13 nent, or constituent element, ma-  
14 terial, or subcomponent of an eli-  
15 gible component of the total di-  
16 rect material costs of such prod-  
17 uct or component that was not  
18 produced or manufactured by a  
19 prohibited foreign entity.

20 “(III) EXCEPTION.—Notwith-  
21 standing subclauses (I) and (II)—

22 “(aa) if the taxpayer knows  
23 (or has reason to know) that a  
24 manufactured product or eligible  
25 component was produced or man-

1                   ufactured by a prohibited foreign  
2                   entity, the taxpayer shall treat all  
3                   direct material costs with respect  
4                   to such product or component as  
5                   attributable to a prohibited for-  
6                   eign entity, and

7                   “(bb) if the taxpayer knows  
8                   (or has reason to know) that the  
9                   certification provided in sub-  
10                  clause (II)(bb) pertaining to a  
11                  manufactured product or eligible  
12                  component is inaccurate, the tax-  
13                  payer may not rely on such cer-  
14                  tification.

15                  “(IV) CERTIFICATION REQUIRE-  
16                  MENT.—In a manner consistent with  
17                  Treasury Regulation section 1.45X-  
18                  4(c)(4)(i) (as in effect on the date of  
19                  enactment of this paragraph), the cer-  
20                  tification referred to subclause  
21                  (II)(bb) shall—

22                   “(aa) include the supplier’s  
23                   employer identification number,

24                   “(bb) be signed under pen-  
25                   alties of perjury,



1 “(cc) be retained by the sup-  
2 plier and the taxpayer for a pe-  
3 riod of not less than 6 years and  
4 shall be provided to the Secretary  
5 upon request, and

6 “(dd) be from the supplier  
7 from which the taxpayer pur-  
8 chased any manufactured prod-  
9 uct, eligible component, or con-  
10 stituent elements, materials, or  
11 subcomponents of an eligible  
12 component, stating either—

13 “(AA) that such prop-  
14 erty was not produced or  
15 manufactured by a prohib-  
16 ited foreign entity and that  
17 the supplier is not aware  
18 that any prior supplier in  
19 the chain of production of  
20 that property is a prohibited  
21 foreign entity, or

22 “(BB) the total direct  
23 material costs for each prod-  
24 uct or component that were  
25 not produced or manufac-

1                   tured by a prohibited foreign  
2                   entity.

3                   “(V)   EXISTING   CONTRACT.—

4                   Upon the election of the taxpayer (in  
5                   such form and manner as the Sec-  
6                   retary shall designate), in the case of  
7                   any manufactured product, eligible  
8                   component, or constituent element,  
9                   material, or subcomponent of an eligi-  
10                  ble component which is—

11                  “(aa) acquired by the tax-  
12                  payer, or manufactured or as-  
13                  sembled by or for the taxpayer,  
14                  pursuant to a binding written  
15                  contract which was entered into  
16                  prior to June 16, 2025, and

17                  “(bb) placed into service be-  
18                  fore January 1, 2030 (or, in the  
19                  case of a constituent element,  
20                  material, or subcomponent, used  
21                  in a product sold before January  
22                  1, 2030),

23                  the cost to the taxpayer with respect  
24                  to such product, component, element,  
25                  material, or subcomponent shall not

1 be included for purposes of deter-  
2 mining the material assistance cost  
3 ratio under this subparagraph.

4 “(E) OTHER DEFINITIONS.—

5 “(i) ELIGIBLE COMPONENT.—For  
6 purposes of this paragraph (except sub-  
7 paragraph (D)), the term ‘eligible compo-  
8 nent’ has the same meaning given such  
9 term under section 45X(c)(1).

10 “(ii) ENERGY STORAGE TECH-  
11 NOLOGY.—For purposes of this paragraph,  
12 the term ‘energy storage technology’ has  
13 the same meaning given such term under  
14 section 48E(c)(2).

15 “(iii) QUALIFIED FACILITY.—For pur-  
16 poses of this paragraph, the term ‘qualified  
17 facility’ means—

18 “(I) a qualified facility, as de-  
19 fined in section 45Y(b)(1),

20 “(II) a qualified facility, as de-  
21 fined in section 48E(b)(3), and

22 “(III) any qualified interconnec-  
23 tion property (as defined in section  
24 48E(b)(4)) in connection with a quali-

1                   fied facility (as defined in section  
2                   48E(b)(3)).”.

3           (d) DENIAL OF CREDIT FOR CERTAIN WIND AND  
4 SOLAR LEASING ARRANGEMENTS.—Section 45Y is  
5 amended by adding at the end the following new sub-  
6 section:

7           “(h) DENIAL OF CREDIT FOR WIND AND SOLAR  
8 LEASING ARRANGEMENTS.—No credit shall be deter-  
9 mined under this section with respect to any production  
10 of electricity during the taxable year with respect to prop-  
11 erty described in paragraph (1), (2), or (4) of section  
12 25D(d) (as applied by substituting ‘lessee’ for ‘taxpayer’)  
13 if the taxpayer rents or leases such property to a third  
14 party during such taxable year.”.

15           (e) EMISSIONS RATES TABLES.—Section  
16 45Y(b)(2)(C) is amended by adding at the end the fol-  
17 lowing new clause:

18                   “(iii) EXISTING STUDIES.—For pur-  
19 poses of clause (i), in determining green-  
20 house gas emissions rates for types or cat-  
21 egories of facilities for the purpose of de-  
22 termining whether a facility satisfies the  
23 requirements under paragraph (1), the  
24 Secretary shall consider studies published  
25 on or before the date of enactment of this

1 clause which demonstrate a net lifecycle  
2 greenhouse gas emissions rate which is less  
3 than zero using widely accepted lifecycle  
4 assessment concepts, such as concepts de-  
5 scribed in standards developed by the  
6 International Organization for Standard-  
7 ization.”.

8 (f) ELIMINATION OF EXCEPTION FROM PHASEOUT  
9 FOR ELECTIVE PAYMENT.—Section 45Y(g)(12) is amend-  
10 ed—

11 (1) in subparagraph (C), by striking “Subject  
12 to subparagraph (D), in the case of” and inserting  
13 “In the case of”, and

14 (2) by striking subparagraph (D).

15 (g) CONFORMING AMENDMENTS.—

16 (1) Paragraph (1) of section 48D(c) is amended  
17 to read as follows:

18 “(1) is not a specified foreign entity (as defined  
19 in section 7701(a)(51)), and”.

20 (2) Section 45Y(b)(1) is amended—

21 (A) by redesignating subparagraph (D) as  
22 subparagraph (E), and

23 (B) by inserting after subparagraph (C)  
24 the following new subparagraph:

1 “(D) DETERMINATION OF CAPACITY.—For  
2 purposes of subparagraph (C), additions of ca-  
3 pacity of a facility shall be determined in any  
4 reasonable manner, including based on—

5 “(i) determinations by, or reports to,  
6 the Federal Energy Regulatory Commis-  
7 sion (including interconnection agree-  
8 ments), the Nuclear Regulatory Commis-  
9 sion, or any similar entity, reflecting addi-  
10 tions of capacity,

11 “(ii) determinations or reports reflect-  
12 ing additions of capacity made by an inde-  
13 pendent professional engineer,

14 “(iii) reports to, or issued by, regional  
15 transmission organizations or independent  
16 system operators reflecting additions of ca-  
17 pacity, or

18 “(iv) any other method or manner  
19 provided by the Secretary.”.

20 (h) PROHIBITION ON TRANSFER OF CREDITS TO  
21 SPECIFIED FOREIGN ENTITIES.—Section 6418(g) is  
22 amended by adding at the end the following new para-  
23 graph:

24 “(5) PROHIBITION ON TRANSFER OF CREDITS  
25 TO SPECIFIED FOREIGN ENTITIES.—With respect to

1       any eligible credit described in clause (iii), (iv), (vi),  
2       (vii), (viii), or (xi) of subsection (f)(1)(A), an eligible  
3       taxpayer may not elect to transfer any portion of  
4       such credit to a taxpayer that is a specified foreign  
5       entity (as defined in section 7701(a)(51)(B)).”.

6       (i) EXTENSION OF PERIOD OF LIMITATIONS FOR ER-  
7       RORS RELATING TO DETERMINING OF MATERIAL ASSIST-  
8       ANCE FROM A PROHIBITED FOREIGN ENTITY.—Section  
9       6501 is amended—

10           (1) by redesignating subsection (o) as sub-  
11       section (p), and

12           (2) by inserting after subsection (n) the fol-  
13       lowing new subsection:

14       “(o) MATERIAL ASSISTANCE FROM A PROHIBITED  
15       FOREIGN ENTITY.—In the case of a deficiency attrib-  
16       utable to an error with respect to the determination under  
17       section 7701(a)(52) for any taxable year, such deficiency  
18       may be assessed at any time within 6 years after the re-  
19       turn for such year was filed.”.

20       (j) IMPOSITION OF ACCURACY-RELATED PEN-  
21       ALTIES.—Section 6662 is amended by adding at the end  
22       the following new subsection:

23       “(m) SUBSTANTIAL UNDERSTATEMENT OF INCOME  
24       TAX DUE TO DISALLOWANCE OF APPLICABLE ENERGY  
25       CREDITS.—

1           “(1) IN GENERAL.—In the case of a taxpayer  
2           for which there is a disallowance of an applicable en-  
3           ergy credit for any taxable year, for purposes of de-  
4           termining whether there is a substantial understate-  
5           ment of income tax for such taxable year, subsection  
6           (d)(1) shall be applied—

7                   “(A) in subparagraphs (A) and (B), by  
8                   substituting ‘1 percent’ for ‘10 percent’ each  
9                   place it appears, and

10                   “(B) without regard to subparagraph (C).

11           “(2) ELECTIVE PAYMENT.—

12                   “(A) IN GENERAL.—In the case of an ap-  
13                   plicable entity which made an election under  
14                   section 6417(a) with respect to an applicable  
15                   credit for which there is a disallowance de-  
16                   scribed in paragraph (3)—

17                           “(i) subsection (a) shall apply to the  
18                           payment amount as if such amount were  
19                           treated as the amount of tax required to be  
20                           shown on a return, and

21                           “(ii) for purposes of the application of  
22                           clause (i), subsection (d)(1) shall be ap-  
23                           plied in the same manner as described in  
24                           paragraph (1).



1                   “(B) PAYMENT AMOUNT.—For purposes of  
2                   subparagraph (A)(i), the term ‘payment  
3                   amount’ means, with respect to the credit for  
4                   which there is a disallowance described in para-  
5                   graph (3), the amount which, pursuant to sec-  
6                   tion 6417(a), the applicable entity was treated  
7                   as making a payment against the tax imposed  
8                   by subtitle A.

9                   “(C) APPLICABLE ENTITY; APPLICABLE  
10                  CREDIT.—For purposes of this subparagraph,  
11                  the terms ‘applicable entity’ and ‘applicable  
12                  credit’ have the same meaning given such terms  
13                  under section 6417.

14                  “(3) DISALLOWANCE OF AN APPLICABLE EN-  
15                  ERGY CREDIT.—For purposes of this subsection, the  
16                  term ‘disallowance of an applicable energy credit’  
17                  means the disallowance of a credit under section  
18                  45X, 45Y, or 48E by reason of overstating the ma-  
19                  terial assistance cost ratio (as determined under sec-  
20                  tion 7701(a)(52)) with respect to any qualified facil-  
21                  ity, energy storage technology, or product line which  
22                  produces eligible components.”.

23                  (k) PENALTY FOR SUBSTANTIAL MISSTATEMENTS  
24                  ON CERTIFICATION PROVIDED BY SUPPLIER.—

1           (1) IN GENERAL.—Part I of subchapter B of  
2       chapter 68 is amended by inserting after section  
3       6695A the following new section:

4   **“SEC. 6695B. PENALTY FOR SUBSTANTIAL MISSTATEMENTS**  
5                   **ON CERTIFICATION PROVIDED BY SUPPLIER.**

6       “(a) IMPOSITION OF PENALTY.—If—

7           “(1) a person—

8                   “(A) provides a certification described in  
9           clause (iv)(II)(bb) of section 7701(a)(52)(D)  
10       with respect to any manufactured product, eligi-  
11       ble component, or constituent element, material,  
12       or subcomponent of an eligible component, and

13                   “(B) knows, or reasonably should have  
14       known, that the certification would be used in  
15       connection with a determination under such  
16       section,

17           “(2) such certification is inaccurate or false  
18       with respect to—

19                   “(A) whether such property was produced  
20       or manufactured by a prohibited foreign entity,  
21       or

22                   “(B) the total direct material costs of such  
23       property that was not produced or manufac-  
24       tured by a prohibited foreign entity that were  
25       provided on such certification,

1           “(3) the inaccuracy or falsity described in para-  
2           graph (2) resulted in the disallowance of an applica-  
3           ble energy credit (as defined in section 6662(m)(3))  
4           and an understatement of income tax for the taxable  
5           year in an amount which exceeds the lesser of—

6                   “(A) 5 percent of the tax required to be  
7                   shown on the return for the taxable year, or

8                   “(B) \$100,000,

9           then such person shall pay a penalty in the amount  
10          determined under subsection (b).

11          “(b) AMOUNT OF PENALTY.—The amount of the  
12          penalty imposed under subsection (a) on any person with  
13          respect to a certification shall be equal to the greater of—

14                   “(1) 10 percent of the amount of the under-  
15                   payment (as defined in section 6664(a)) attributable  
16                   to the inaccuracy or falsity described in subsection  
17                   (a)(2), or

18                   “(2) \$5,000.

19          “(c) EXCEPTION.—No penalty shall be imposed  
20          under subsection (a) if the person establishes to the satis-  
21          faction of the Secretary that any inaccuracy or falsity de-  
22          scribed in subsection (a)(2) is due to a reasonable cause  
23          and not willful neglect.

1 “(d) DEFINITIONS.—Any term used in this section  
2 which is also used in section 7701(a)(52) shall have the  
3 meaning given such term in such section.”.

4 (2) CLERICAL AMENDMENTS.—

5 (A) Section 6696 is amended—

6 (i) in the heading, by striking “**AND**  
7 **6695A**” and inserting “**6695A, AND**  
8 **6695B**”,

9 (ii) in subsections (a), (b), and (e), by  
10 striking “and 6695A” each place it ap-  
11 pears and inserting “6695A, and 6695B”,

12 (iii) in subsection (c), by striking “or  
13 6695A” and inserting “6695A, or 6695B”,  
14 and

15 (iv) in subsection (d)—

16 (I) in paragraph (1), by inserting  
17 “(or, in the case of any penalty under  
18 section 6695B, 6 years)” after “as-  
19 sessed within 3 years”, and

20 (II) in paragraph (2), by insert-  
21 ing “(or, in the case of any claim for  
22 refund of an overpayment of any pen-  
23 alty assessed under section 6695B, 6  
24 years)” after “filed within 3 years”.

1 (B) The table of sections for part I of sub-  
2 chapter B of chapter 68 is amended by insert-  
3 ing after item relating to section 6695A the fol-  
4 lowing new item:

“Sec. 6695B. Penalty for substantial misstatements on certification provided by  
supplier.”.

5 (l) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided in para-  
7 graphs (2) and (3), the amendments made by this  
8 section shall apply to taxable years beginning after  
9 the date of enactment of this Act.

10 (2) ELIMINATION OF EXCEPTION FROM PHASE-  
11 OUT FOR ELECTIVE PAYMENT.—The amendment  
12 made by subsection (f) shall apply to facilities for  
13 which construction begins after December 31, 2025.

14 (3) PENALTY FOR SUBSTANTIAL  
15 MISSTATEMENTS ON CERTIFICATION PROVIDED BY  
16 SUPPLIER.—The amendments made by subsection  
17 (k) shall apply to certifications provided after De-  
18 cember 31, 2025.

19 **SEC. 70513. PHASE-OUT AND RESTRICTIONS ON CLEAN**  
20 **ELECTRICITY INVESTMENT CREDIT.**

21 (a) CREDIT PHASE-OUT.—Section 48E(e) is amend-  
22 ed—

1           (1) in paragraph (1), by striking “The amount  
2           of” and inserting “Subject to paragraph (4), the  
3           amount of”, and

4           (2) by adding at the end the following new  
5           paragraph:

6           “(4) PHASE-OUT FOR WIND AND SOLAR FACILI-  
7           TIES.—

8                   “(A) IN GENERAL.—The amount of the  
9           clean electricity investment credit under sub-  
10          section (a) for any qualified investment with re-  
11          spect to any applicable facility the construction  
12          of which begins during a calendar year de-  
13          scribed in subparagraph (B) shall be equal to  
14          the product of—

15                   “(i) the amount of the credit deter-  
16                  mined under subsection (a) without regard  
17                  to this paragraph, multiplied by

18                   “(ii) the phase-out percentage under  
19                  subparagraph (B).

20           “(B) PHASE-OUT PERCENTAGE.—The  
21          phase-out percentage under this subparagraph  
22          is equal to—

23                   “(i) for any qualified investment with  
24                  respect to any applicable facility the con-

1 construction of which begins during calendar  
2 year 2026, 60 percent,

3 “(ii) for any qualified investment with  
4 respect to any applicable facility the con-  
5 struction of which begins during calendar  
6 year 2027, 20 percent, and

7 “(iii) for any qualified investment  
8 with respect to any applicable facility the  
9 construction of which begins after Decem-  
10 ber 31, 2027, 0 percent.

11 “(C) APPLICABLE FACILITY.—For pur-  
12 poses of this paragraph, the term ‘applicable fa-  
13 cility’ means a qualified facility which—

14 “(i) uses wind to produce electricity  
15 (within the meaning of such term as used  
16 in section 45(d)(1)), or

17 “(ii) uses solar energy to produce elec-  
18 tricity (within the meaning of such term as  
19 used in section 45(d)(4)).

20 “(D) EXCEPTION.—This paragraph shall  
21 not apply with respect to any energy storage  
22 technology which is placed in service at any ap-  
23 plicable facility.”.

24 (b) RESTRICTIONS RELATING TO PROHIBITED FOR-  
25 EIGN ENTITIES.—

1 (1) IN GENERAL.—Section 48E is amended—

2 (A) in subsection (b)—

3 (i) by redesignating paragraph (6) as  
4 paragraph (7), and

5 (ii) by inserting after paragraph (5)  
6 the following new paragraph:

7 “(6) MATERIAL ASSISTANCE FROM PROHIBITED  
8 FOREIGN ENTITIES.—The terms ‘qualified facility’  
9 and ‘qualified interconnection property’ shall not in-  
10 clude any facility or property the construction, re-  
11 construction, or erection of which begins after De-  
12 cember 31, 2025, if the construction, reconstruction,  
13 or erection of such facility or property includes any  
14 material assistance from a prohibited foreign entity  
15 (as defined in section 7701(a)(52)).”, and

16 (B) in subsection (c), by adding at the end  
17 the following new paragraph:

18 “(3) MATERIAL ASSISTANCE FROM PROHIBITED  
19 FOREIGN ENTITIES.—The term ‘energy storage tech-  
20 nology’ shall not include any property the construc-  
21 tion of which begins after December 31, 2025 if the  
22 construction of such property includes any material  
23 assistance from a prohibited foreign entity (as de-  
24 fined in section 7701(a)(52)).”.



1           (2) RESTRICTIONS RELATING TO PROHIBITED  
2 FOREIGN ENTITIES.—Section 48E(d) is amended by  
3 adding at the end the following new paragraph:

4           “(6) RESTRICTIONS RELATING TO PROHIBITED  
5 FOREIGN ENTITIES.—No credit shall be determined  
6 under subsection (a) for any taxable year beginning  
7 after the date of enactment of this paragraph if the  
8 taxpayer is a prohibited foreign entity (as defined in  
9 section 7701(a)(51)(A)).”.

10          (3) RECAPTURE.—Section 50(a) is amended—

11               (A) by redesignating paragraphs (4)  
12 through (6) as paragraphs (5) through (7), re-  
13 spectively,

14               (B) by inserting after paragraph (3) the  
15 following new paragraph:

16           “(4) PAYMENTS TO PROHIBITED FOREIGN EN-  
17 TITIES.—

18               “(A) IN GENERAL.—If there is an applica-  
19 ble payment made by a specified taxpayer be-  
20 fore the close of the 10-year period beginning  
21 on the date such taxpayer placed in service in-  
22 vestment credit property which is eligible for  
23 the clean electricity investment credit under  
24 section 48E(a), then the tax under this chapter  
25 for the taxable year in which such applicable

1 payment occurs shall be increased by 100 per-  
2 cent of the aggregate decrease in the credits al-  
3 lowed under section 38 for all prior taxable  
4 years which would have resulted solely from re-  
5 ducing to zero any credit determined under sec-  
6 tion 46 which is attributable to the clean elec-  
7 tricity investment credit under section 48E(a)  
8 with respect to such property.

9 “(B) APPLICABLE PAYMENT.—For pur-  
10 poses of this paragraph, the term ‘applicable  
11 payment’ means, with respect to any taxable  
12 year, a payment or payments described in sec-  
13 tion 7701(a)(51)(D)(i)(II).

14 “(C) SPECIFIED TAXPAYER.—For pur-  
15 poses of this paragraph, the term ‘specified tax-  
16 payer’ means any taxpayer who has been al-  
17 lowed a credit under section 48E(a) for any  
18 taxable year beginning after the date which is  
19 2 years after the date of enactment of this  
20 paragraph.”,

21 (C) in paragraph (5), as redesignated by  
22 subparagraph (A), by striking “or any applica-  
23 ble transaction to which paragraph (3)(A) ap-  
24 plies,” and inserting “any applicable trans-  
25 action to which paragraph (3)(A) applies, or

1 any applicable payment to which paragraph  
2 (4)(A) applies,” and

3 (D) in paragraph (7), as redesignated by  
4 subparagraph (A), by striking “or (3)” and in-  
5 serting “(3), or (4)”.

6 (c) DENIAL OF CREDIT FOR EXPENDITURES FOR  
7 CERTAIN WIND AND SOLAR LEASING ARRANGEMENTS.—

8 (1) IN GENERAL.—Section 48E is amended—

9 (A) by redesignating subsection (i) as sub-  
10 section (j), and

11 (B) by inserting after subsection (h) the  
12 following new subsection:

13 “(i) DENIAL OF CREDIT FOR EXPENDITURES FOR  
14 WIND AND SOLAR LEASING ARRANGEMENTS.—No credit  
15 shall be determined under this section for any qualified  
16 investment during the taxable year with respect to prop-  
17 erty described in paragraph (1), (2), or (4) of section  
18 25D(d) (as applied by substituting ‘lessee’ for ‘taxpayer’)  
19 if the taxpayer rents or leases such property to a third  
20 party during such taxable year.”.

21 (2) CONFORMING RULES.—Section 50 is  
22 amended by adding at the end the following new  
23 subsection:

24 “(e) RULES FOR GEOTHERMAL HEAT PUMPS.—For  
25 purposes of this section and section 168, the ownership

1 of energy property described in section 48(a)(3)(A)(vii)  
2 shall be determined without regard to whether such prop-  
3 erty is readily usable by a person other than the lessee  
4 or service recipient.”.

5 (d) DOMESTIC CONTENT RULES.—Subparagraph  
6 (B) of section 48E(a)(3) is amended to read as follows:

7 “(B) DOMESTIC CONTENT.—Rules similar  
8 to the rules of section 48(a)(12) shall apply, ex-  
9 cept that, for purposes of subparagraph (B) of  
10 such section and the application of rules similar  
11 to the rules of section 45(b)(9)(B), the adjusted  
12 percentage (as determined under section  
13 45(b)(9)(C)) shall be determined as follows:

14 “(i) In the case of any qualified in-  
15 vestment with respect to any qualified fa-  
16 cility the construction of which begins be-  
17 fore June 16, 2025, 40 percent (or, in the  
18 case of a qualified facility which is an off-  
19 shore wind facility, 20 percent).

20 “(ii) In the case of any qualified in-  
21 vestment with respect to any qualified fa-  
22 cility the construction of which begins on  
23 or after June 16, 2025, and before Janu-  
24 ary 1, 2026, 45 percent (or, in the case of

1 a qualified facility which is an offshore  
2 wind facility, 27.5 percent).

3 “(iii) In the case of any qualified in-  
4 vestment with respect to any qualified fa-  
5 cility the construction of which begins dur-  
6 ing calendar year 2026, 50 percent (or, in  
7 the case of a qualified facility which is an  
8 offshore wind facility, 35 percent).

9 “(iv) In the case of any qualified in-  
10 vestment with respect to any qualified fa-  
11 cility the construction of which begins after  
12 December 31, 2026, 55 percent.”.

13 (e) EFFECTIVE DATES.—

14 (1) IN GENERAL.—Except as provided in para-  
15 graph (2), the amendments made by this section  
16 shall apply to taxable years beginning after the date  
17 of enactment of this Act.

18 (2) DOMESTIC CONTENT RULES.—The amend-  
19 ment made by subsection (d) shall apply on or after  
20 June 16, 2025.

21 **SEC. 70514. PHASE-OUT AND RESTRICTIONS ON ADVANCED**  
22 **MANUFACTURING PRODUCTION CREDIT.**

23 (a) REPEAL OF PROVISION RELATING TO SALE OF  
24 INTEGRATED COMPONENTS.—Section 45X(d) is amended  
25 by striking paragraph (4).

1 (b) PHASE OUT AND TERMINATION.—Section  
2 45X(b)(3) is amended—

3 (1) in the heading, by inserting “AND TERMI-  
4 NATION” after “PHASE OUT”,

5 (2) in subparagraph (A), in the matter pre-  
6 ceding clause (i), by striking “subparagraph (C)”  
7 and inserting “subparagraphs (C) and (D)”, and

8 (3) by striking subparagraph (C) and inserting  
9 the following:

10 “(C) PHASE OUT FOR APPLICABLE CRIT-  
11 ICAL MINERALS.—

12 “(i) IN GENERAL.—In the case of any  
13 applicable critical mineral produced after  
14 December 31, 2030, the amount deter-  
15 mined under this subsection with respect  
16 to such mineral shall be equal to the prod-  
17 uct of—

18 “(I) the amount determined  
19 under paragraph (1) with respect to  
20 such mineral, as determined without  
21 regard to this subparagraph, multi-  
22 plied by

23 “(II) the phase out percentage  
24 under clause (ii).

1 “(ii) PHASE OUT PERCENTAGE FOR  
2 APPLICABLE CRITICAL MINERALS.—The  
3 phase out percentage under this clause is  
4 equal to—

5 “(I) in the case of any applicable  
6 critical mineral produced during cal-  
7 endar year 2031, 75 percent,

8 “(II) in the case of any applica-  
9 ble critical mineral produced during  
10 calendar year 2032, 50 percent,

11 “(III) in the case of any applica-  
12 ble critical mineral produced during  
13 calendar year 2033, 25 percent, and

14 “(IV) in the case of any applica-  
15 ble critical mineral produced after De-  
16 cember 31, 2033, 0 percent.

17 “(D) TERMINATION FOR WIND ENERGY  
18 COMPONENTS.—This section shall not apply to  
19 any wind energy component produced and sold  
20 after December 31, 2027.”.

21 (c) RESTRICTIONS RELATING TO PROHIBITED FOR-  
22 EIGN ENTITIES.—Section 45X is amended—

23 (1) in subsection (c)(1), by adding at the end  
24 the following new subparagraph:

“(C) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—In the case of taxable years beginning after the date of enactment of this subparagraph, the term ‘eligible component’ shall not include any property which includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)).”, and

9 (2) in subsection (d), as amended by subsection  
10 (a) of this section, by adding at the end the fol-  
11 lowing new paragraph:

“(4) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—No credit shall be determined under subsection (a) for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a prohibited foreign entity (as defined in section 7701(a)(51)(A)).”.

(d) CONFORMING AMENDMENTS WITH RESPECT TO  
BATTERY MODULES.—Section 45X(c)(5)(B)(iii) is  
amended—

21 (1) in subclause (I), by striking “and” at the  
22 end,

(2) in subclause (II), by striking the period at the end and inserting “, and”, and



1           (3) by adding at the end the following new sub-  
2       clause:

3                           “(III) which is comprised of all  
4                           other essential equipment needed for  
5                           battery functionality, such as current  
6                           collector assemblies and voltage sense  
7                           harnesses.”.

8       (e) EFFECTIVE DATES.—

9           (1) IN GENERAL.—Except as provided in para-  
10       graph (2), the amendments made by this section  
11       shall apply to taxable years beginning after the date  
12       of enactment of this Act.

13           (2) REPEAL OF PROVISION RELATING TO SALE  
14       OF INTEGRATED COMPONENTS.—The amendment  
15       made by subsection (a) shall apply to components  
16       sold during taxable years beginning after December  
17       31, 2026.

18   **SEC. 70515. RESTRICTION ON THE EXTENSION OF AD-**  
19                           **VANCED ENERGY PROJECT CREDIT PRO-**  
20                           **GRAM.**

21       (a) IN GENERAL.—Section 48C(e)(3)(C) is amended  
22       by striking “shall be increased” and inserting “shall not  
23       be increased”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on the date of enactment of  
3 this Act.

4 **Subchapter B—Enhancement of America-first**  
5 **Energy Policy**

6 **SEC. 70521. EXTENSION AND MODIFICATION OF CLEAN**  
7 **FUEL PRODUCTION CREDIT.**

8 (a) REDUCTION IN CREDIT FOR USE OF FOREIGN  
9 FEEDSTOCKS.—

10 (1) IN GENERAL.—Section 45Z(a) is amended  
11 by adding at the end the following new paragraph:

12 “(6) REDUCTION IN CREDIT FOR USE OF FOR-  
13 EIGN FEEDSTOCKS.—

14 “(A) IN GENERAL.—With respect to the  
15 total amount of transportation fuel which is  
16 produced by the taxpayer and sold by the tax-  
17 payer during a taxable year (in the manner de-  
18 scribed in clauses (i) and (ii) of paragraph  
19 (1)(A)), the amount of the credit determined  
20 under this subsection with respect to such total  
21 amount of fuel shall be equal to the sum of—

22 “(i) the domestic feedstock percentage  
23 of the amount of the credit otherwise de-  
24 termined under paragraph (1) with respect  
25 to such total amount of fuel (as deter-

1 mined without application of this para-  
2 graph), plus

3 “(ii) an amount equal to the product  
4 of—

5 “(I) the foreign feedstock per-  
6 centage of the amount of the credit  
7 otherwise determined under para-  
8 graph (1) with respect to such total  
9 amount of fuel (as determined without  
10 application of this paragraph), multi-  
11 plied by

12 “(II) 80 percent.

13 “(B) FEEDSTOCK PERCENTAGES.—

14 “(i) FOREIGN FEEDSTOCK PERCENT-  
15 AGE.—For purposes of this paragraph,  
16 with respect to the total amount of trans-  
17 portation fuel which is produced by the  
18 taxpayer and sold by the taxpayer during  
19 the taxable year, the foreign feedstock per-  
20 centage for such total amount of fuel shall  
21 be an amount (expressed as a percentage)  
22 equal to the quotient of—

23 “(I) the total amount of the feed-  
24 stock from which such fuel was de-

1                   rived that was produced or grown out-  
2                   side of the United States, divided by  
3                   “(II) the total amount of the  
4                   feedstock from which such fuel was  
5                   derived.

6                   “(ii) DOMESTIC FEEDSTOCK PER-  
7                   CENTAGE.—For purposes of this para-  
8                   graph, with respect to the total amount of  
9                   transportation fuel which is produced by  
10                  the taxpayer and sold by the taxpayer dur-  
11                  ing the taxable year, the domestic feed-  
12                  stock percentage for such total amount of  
13                  fuel shall be an amount (expressed as a  
14                  percentage) equal to—

15                         “(I) 100 percent, minus

16                         “(II) the foreign feedstock per-  
17                         centage with respect to such total  
18                         amount of fuel (as determined under  
19                         clause (i)).

20                   “(C) GUIDANCE.—Not later than Decem-  
21                  ber 31, 2025, the Secretary shall issue guidance  
22                  regarding implementation of this paragraph.”.

23                  (2) EFFECTIVE DATE.—The amendment made  
24                  by this subsection shall apply to transportation fuel  
25                  produced after December 31, 2025.

1 (b) PROHIBITION ON NEGATIVE EMISSION RATES.—

2 (1) IN GENERAL.—Section 45Z(b)(1) is amend-  
3 ed—

4 (A) by striking subparagraph (C) and in-  
5 serting the following:

6 “(C) ROUNDING OF EMISSIONS RATE.—

7 The Secretary may round the emissions rates  
8 under subparagraph (B) to the nearest multiple  
9 of 5 kilograms of CO<sub>2</sub>e per mmBTU.”, and

10 (B) by adding at the end the following new  
11 subparagraph:

12 “(E) PROHIBITION ON NEGATIVE EMIS-  
13 SION RATES.—For purposes of this section, the  
14 emissions rate for a transportation fuel may not  
15 be less than zero.”.

16 (2) EFFECTIVE DATE.—The amendments made  
17 by this subsection shall apply to emissions rates pub-  
18 lished for taxable years beginning after December  
19 31, 2025.

20 (c) DETERMINATION OF EMISSIONS RATE.—

21 (1) IN GENERAL.—Section 45Z(b)(1)(B) is  
22 amended by adding at the end the following new  
23 clauses:

24 “(iv) EXCLUSION OF INDIRECT LAND  
25 USE CHANGES.—Notwithstanding clauses

1 (i), (ii), and (iii), the lifecycle greenhouse  
2 gas emissions shall be adjusted as nec-  
3 essary to exclude any emissions attributed  
4 to indirect land use change. Any such ad-  
5 justment shall be based on regulations or  
6 methodologies determined by the Secretary  
7 in consultation with the Administrator of  
8 the Environmental Protection Agency, the  
9 Secretary of Agriculture, and the Secretary  
10 of Energy.

11 “(v) ANIMAL MANURES.—For pur-  
12 poses of the table described in clause (i),  
13 with respect to any transportation fuels  
14 which are derived from animal manure, the  
15 Secretary may—

16 “(I) provide a distinct emissions  
17 rate with respect to each of the spe-  
18 cific feedstocks used to such produce  
19 such fuel, which may include dairy  
20 manure, swine manure, poultry ma-  
21 nure, or any other sources as are de-  
22 termined appropriate by the Sec-  
23 retary, and

24 “(II) notwithstanding subpara-  
25 graph (E), provide an emissions rate

1 under this clause that is less than  
2 zero.”.

3 (2) CONFORMING AMENDMENT.—Section  
4 45Z(b)(1)(B)(i) is amended by striking “clauses (ii)  
5 and (iii)” and inserting “clauses (ii), (iii), (iv), and  
6 (v)”.

7 (3) EFFECTIVE DATE.—The amendments made  
8 by this subsection shall apply to emissions rates pub-  
9 lished for transportation fuel produced after Decem-  
10 ber 31, 2025.

11 (d) EXTENSION OF CLEAN FUEL PRODUCTION  
12 CREDIT.—Section 45Z(g) is amended by striking “Decem-  
13 ber 31, 2027” and inserting “December 31, 2031”.

14 (e) PREVENTING DOUBLE CREDIT.—Section  
15 45Z(d)(5) is amended—

16 (1) in subparagraph (A)—

17 (A) in clause (ii), by striking “and” at the  
18 end,

19 (B) in clause (iii), by striking the period at  
20 the end and inserting “, and”, and

21 (C) by adding at the end the following new  
22 clause:

23 “(iv) is not produced from a fuel for  
24 which a credit under this section is allow-  
25 able.”, and

1           (2) by adding at the end the following new sub-  
2       paragraph:

3                   “(C) REGULATIONS AND GUIDANCE.—The  
4       Secretary shall issue such regulations or other  
5       guidance as the Secretary determines necessary  
6       to carry out the purposes of subparagraph  
7       (A)(iv).”.

8       (f) SALES TO UNRELATED PERSONS.—Section  
9   45Z(f)(3) is amended by adding at the end the following:  
10   “The Secretary may prescribe additional related person  
11   rules similar to rule described in preceding sentence for  
12   entities which are not described in such sentence.”.

13       (g) TREATMENT OF SUSTAINABLE AVIATION  
14   FUEL.—

15           (1) COORDINATION OF CREDITS.—

16                   (A) IN GENERAL.—Section 45Z(a)(3) is  
17       amended—

18                           (i) in the heading, by striking “SPE-  
19                           CIAL” and inserting “ADJUSTED”, and

20                           (ii) by adding at the end the following  
21       new subparagraph:

22                   “(C) COORDINATION OF CREDITS.—In the  
23       case of a transportation fuel which is sustain-  
24       able aviation fuel which is sold before October  
25       1, 2025, the amount of the credit determined



1 under paragraph (1) with respect to any gallon  
2 of such fuel shall be reduced by an amount  
3 equal to the amount of the sustainable aviation  
4 fuel credit, as calculated under subsection  
5 (k)(1) of section 6426, as if such subsection ap-  
6 plied with respect to such gallon of fuel.”.

7 (B) EFFECTIVE DATE.—The amendments  
8 made by this paragraph shall apply to fuel sold  
9 after December 31, 2024.

10 (2) ELIMINATION OF SPECIAL RATE.—

11 (A) IN GENERAL.—Section 45Z(a)(3), as  
12 amended by paragraph (1), is amended by—

13 (i) striking subparagraph (A), and

14 (ii) by redesignating subparagraph

15 (C) as subparagraph (A).

16 (B) CONFORMING AMENDMENT.—Section  
17 45Z(c)(1) is amended by striking “, the \$1.00  
18 amount in subsection (a)(2)(B), the 35 cent  
19 amount in subsection (a)(3)(A)(i), and the  
20 \$1.75 amount in subsection (a)(3)(A)(ii)” and  
21 inserting “and the \$1.00 amount in subsection  
22 (a)(2)(B)”.

23 (C) EFFECTIVE DATE.—The amendments  
24 made by this paragraph shall apply to fuel pro-  
25 duced after December 31, 2025.

1 (h) SUSTAINABLE AVIATION FUEL CREDIT.—Section  
2 6426(k) is amended by adding at the end the following  
3 new paragraph:

4 “(4) TERMINATION.—This subsection shall not  
5 apply to any sale or use for any period after Sep-  
6 tember 30, 2025.”.

7 (i) REGISTRATION OF PRODUCERS OF FUEL ELIGI-  
8 BLE FOR CLEAN FUEL PRODUCTION CREDIT.—

9 (1) IN GENERAL.—Section 13704(b)(5) of Pub-  
10 lic Law 117-169 is amended by striking “after ‘sec-  
11 tion 6426(k)(3),’” and inserting “after ‘section  
12 40B),’”.

13 (2) EFFECTIVE DATE.—The amendments made  
14 by this section shall apply to transportation fuel pro-  
15 duced after December 31, 2024.

16 (j) RESTRICTIONS RELATING TO PROHIBITED FOR-  
17 EIGN ENTITIES.—

18 (1) IN GENERAL.—Section 45Z(f) is amended  
19 by adding at the end the following new paragraph:

20 “(8) RESTRICTIONS RELATING TO PROHIBITED  
21 FOREIGN ENTITIES.—

22 “(A) IN GENERAL.—No credit shall be de-  
23 termined under subsection (a) for any taxable  
24 year beginning after the date of enactment of  
25 this paragraph if the taxpayer is a specified for-

1           eign entity (as defined in section  
2           7701(a)(51)(B)).

3           “(B) OTHER PROHIBITED FOREIGN ENTI-  
4           TIES.—No credit shall be determined under  
5           subsection (a) for any taxable year beginning  
6           after the date which is 2 years after the date  
7           of enactment of this paragraph if the taxpayer  
8           is a foreign-influenced entity (as defined in sec-  
9           tion 7701(a)(51)(D)), without regard to clause  
10          (i)(II) thereof.”.

11          (2) EFFECTIVE DATE.—The amendment made  
12          by this subsection shall apply to taxable years begin-  
13          ning after the date of enactment of this Act.

14   **SEC. 70522. RESTRICTIONS ON CARBON OXIDE SEQUESTRA-**  
15           **TION CREDIT.**

16          (a) RESTRICTIONS RELATING TO PROHIBITED FOR-  
17          EIGN ENTITIES.—Section 45Q(f) is amended by adding  
18          at the end the following new paragraph:

19               “(10) RESTRICTIONS RELATING TO PROHIB-  
20               ITED FOREIGN ENTITIES.—No credit shall be deter-  
21               mined under subsection (a) for any taxable year be-  
22               ginning after the date of enactment of this para-  
23               graph if the taxpayer is—

24                       “(A) a specified foreign entity (as defined  
25                       in section 7701(a)(51)(B)), or

1 “(B) a foreign-influenced entity (as defined  
2 in section 7701(a)(51)(D), determined without  
3 regard to clause (i)(II) thereof).”.

4 (b) PARITY FOR DIFFERENT USES AND UTILIZA-  
5 TIONS OF QUALIFIED CARBON OXIDE.—Section 45Q is  
6 amended—

7 (1) in subsection (a)—

8 (A) in paragraph (2)(B)(ii), by adding  
9 “and” at the end,

10 (B) in paragraph (3), by striking subpara-  
11 graph (B) and inserting the following:

12 “(B)(i) disposed of by the taxpayer in se-  
13 cure geological storage and not used by the tax-  
14 payer as described in clause (ii) or (iii),

15 “(ii) used by the taxpayer as a tertiary  
16 injectant in a qualified enhanced oil or natural  
17 gas recovery project and disposed of by the tax-  
18 payer in secure geological storage, or

19 “(iii) utilized by the taxpayer in a manner  
20 described in subsection (f)(5).”, and

21 (C) by striking paragraph (4), and

22 (2) in subsection (b)—

23 (A) in paragraph (1)—

24 (i) by striking subparagraph (A) and  
25 inserting the following:

1           “(A) Except as provided in subparagraph  
2           (B) or (C), the applicable dollar amount shall  
3           be an amount equal to—

4                   “(i) for any taxable year beginning in  
5                   a calendar year after 2025 and before  
6                   2028, \$17, and

7                   “(ii) for any taxable year beginning in  
8                   a calendar year after 2027, an amount  
9                   equal to the product of \$17 and the infla-  
10                  tion adjustment factor for such calendar  
11                  year determined under section 43(b)(3)(B)  
12                  for such calendar year, determined by sub-  
13                  stituting ‘2026’ for ‘1990’.”, and

14                  (ii) in subparagraph (B), by striking  
15                  “shall be applied” and all that follows  
16                  through the period and inserting “shall be  
17                  applied by substituting ‘\$36’ for ‘\$17’ each  
18                  place it appears.”,

19                  (B) in paragraph (2)(B), by striking  
20                  “paragraphs (3)(A) and (4)(A)” and inserting  
21                  “paragraph (3)(A)”, and

22                  (C) in paragraph (3), by striking “the dol-  
23                  lar amounts applicable under paragraph (3) or  
24                  (4)” and inserting “the dollar amount applica-  
25                  ble under paragraph (3)”,

1 (3) in subsection (f)—

2 (A) in paragraph (5)(B)(i), by striking

3 “(4)(B)(ii)” and inserting “(3)(B)(iii)”, and

4 (B) in paragraph (9), by striking “para-

5 graphs (3) and (4) of subsection (a)” and in-

6 serting “subsection (a)(3)”, and

7 (4) in subsection (h)(3)(A)(ii), by striking

8 “paragraph (3)(A) or (4)(A) of subsection (a)” and

9 inserting “subsection (a)(3)(A)”.

10 (c) CONFORMING AMENDMENT.—Section

11 6417(d)(3)(C)(i)(II)(bb) is amended by striking “para-

12 graph (3)(A) or (4)(A) of section 45Q(a)” and inserting

13 “section 45Q(a)(3)(A)”.

14 (d) EFFECTIVE DATES.—

15 (1) RESTRICTIONS RELATING TO PROHIBITED

16 FOREIGN ENTITIES.—The amendment made by sub-

17 section (a) shall apply to taxable years beginning

18 after the date of enactment of this Act.

19 (2) PARITY FOR DIFFERENT USES AND UTILI-

20 ZATIONS OF QUALIFIED CARBON OXIDE.—The

21 amendments made subsections (b) and (c) shall

22 apply to facilities or equipment placed in service

23 after December 31, 2022.

1 **SEC. 70523. INTANGIBLE DRILLING AND DEVELOPMENT**  
2 **COSTS TAKEN INTO ACCOUNT FOR PUR-**  
3 **POSES OF COMPUTING ADJUSTED FINANCIAL**  
4 **STATEMENT INCOME.**

5 (a) IN GENERAL.—Section 56A(c)(13) is amended—  
6 (1) by striking subparagraph (A) and inserting  
7 the following:

8 “(A) reduced by—

9 “(i) depreciation deductions allowed  
10 under section 167 with respect to property  
11 to which section 168 applies to the extent  
12 of the amount allowed as deductions in  
13 computing taxable income for the year,  
14 and

15 “(ii) any deduction allowed for ex-  
16 penses under section 263(c) (including any  
17 deduction for such expenses under section  
18 59(e) or 291(b)(2)) with respect to prop-  
19 erty described therein to the extent of the  
20 amount allowed as deductions in com-  
21 puting taxable income for the year, and”,  
22 and

23 (2) by striking subparagraph (B)(i) and insert-  
24 ing the following:

25 “(i) to disregard any amount of—

1 “(I) depreciation expense that is  
2 taken into account on the taxpayer’s  
3 applicable financial statement with re-  
4 spect to such property, and

5 “(II) depletion expense that is  
6 taken into account on the taxpayer’s  
7 applicable financial statement with re-  
8 spect to the intangible drilling and de-  
9 velopment costs of such property,  
10 and”.

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

14 **SEC. 70524. INCOME FROM HYDROGEN STORAGE, CARBON**  
15 **CAPTURE, ADVANCED NUCLEAR, HYDRO-**  
16 **POWER, AND GEOTHERMAL ENERGY ADDED**  
17 **TO QUALIFYING INCOME OF CERTAIN PUB-**  
18 **LICLY TRADED PARTNERSHIPS TREATED AS**  
19 **CORPORATIONS.**

20 (a) IN GENERAL.—Section 7704(d)(1)(E) is amend-  
21 ed—

22 (1) by striking “income and gains derived from  
23 the exploration” and inserting “income and gains de-  
24 rived from— “

25 “(i) the exploration”,



1                   (2) by inserting “or” before “industrial  
2                   source”, and

3                   (3) by striking “the transportation or storage”  
4                   and all that follows and inserting the following:

5 “(ii) the transportation or storage  
6 of—

“(I) any fuel described in sub-  
section (b), (c), (d), (e), or (k) of sec-  
tion 6426, or any alcohol fuel defined  
in section 6426(b)(4)(A) or any bio-  
diesel fuel as defined in section  
40A(d)(1) or sustainable aviation fuel  
as defined in section 40B(d)(1), or

14 “(II) liquified hydrogen or com-  
15 pressed hydrogen,

“(iii) in the case of a qualified facility (as defined in section 45Q(d), without regard to any date by which construction of the facility is required to begin) not less than 50 percent of the total carbon oxide production of which is qualified carbon oxide (as defined in section 45Q(c))—

23 “(I) the generation, availability  
24 for such generation, or storage of elec-  
25 tric power at such facility, or

1 “(II) the capture of carbon diox-  
2 ide by such facility,

3 “(iv) the production of electricity from  
4 any advanced nuclear facility (as defined in  
5 section 45J(d)(2)),

6 “(v) the production of electricity or  
7 thermal energy exclusively using a quali-  
8 fied energy resource described in subpara-  
9 graph (D) or (H) of section 45(c)(1), or

10 “(vi) the operation of energy property  
11 described in clause (iii) or (vii) of section  
12 48(a)(3)(A) (determined without regard to  
13 any requirement under such section with  
14 respect to the date on which construction  
15 of property begins).”.

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

19 **SEC. 70525. ALLOW FOR PAYMENTS TO CERTAIN INDIVID-**  
20 **UALS WHO DYE FUEL.**

21 (a) IN GENERAL.—Subchapter B of chapter 65, as  
22 amended by the preceding provisions of this Act, is amend-  
23 ed by adding at the end the following new section:

1   **“SEC. 6435. DYED FUEL.**

2           “(a) IN GENERAL.—If a person establishes to the  
3 satisfaction of the Secretary that such person meets the  
4 requirements of subsection (b) with respect to diesel fuel  
5 or kerosene, then the Secretary shall pay to such person  
6 an amount (without interest) equal to the tax described  
7 in subsection (b)(2)(A) with respect to such diesel fuel or  
8 kerosene.

9           “(b) REQUIREMENTS.—

10           “(1) IN GENERAL.—A person meets the re-  
11 quirements of this subsection with respect to diesel  
12 fuel or kerosene if such person removes from a ter-  
13 minal eligible indelibly dyed diesel fuel or kerosene.

14           “(2) ELIGIBLE INDELIBLY DYED DIESEL FUEL  
15 OR KEROSENE DEFINED.—The term ‘eligible indeli-  
16 bly dyed diesel fuel or kerosene’ means diesel fuel or  
17 kerosene—

18           “(A) with respect to which a tax under sec-  
19 tion 4081 was previously paid (and not credited  
20 or refunded), and

21           “(B) which is exempt from taxation under  
22 section 4082(a).

23           “(c) CROSS REFERENCE.—For civil penalty for ex-  
24 cessive claims under this section, see section 6675.”.

25           (b) CONFORMING AMENDMENTS.—

26           (1) Section 6206 is amended—

1 (A) by striking “or 6427” each place it ap-  
2 pears and inserting “6427, or 6435”, and

3 (B) by striking “6420 and 6421” and in-  
4 serting “6420, 6421, and 6435”.

5 (2) Section 6430 is amended—

6 (A) by striking “or” at the end of para-  
7 graph (2), by striking the period at the end of  
8 paragraph (3) and inserting “, or”, and by add-  
9 ing at the end the following new paragraph:

10 “(4) which are removed as eligible indelibly  
11 dyed diesel fuel or kerosene under section 6435.”.

12 (3) Section 6675 is amended—

13 (A) in subsection (a), by striking “or 6427  
14 (relating to fuels not used for taxable pur-  
15 poses)” and inserting “6427 (relating to fuels  
16 not used for taxable purposes), or 6435 (relat-  
17 ing to eligible indelibly dyed fuel)”, and

18 (B) in subsection (b)(1), by striking  
19 “6421, or 6427,” and inserting “6421, 6427,  
20 or 6435,”.

21 (4) The table of sections for subchapter B of  
22 chapter 65, as amended by the preceding provisions  
23 of this Act, is amended by adding at the end the fol-  
24 lowing new item:

“Sec. 6435. Dyed fuel.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to eligible indelibly dyed diesel fuel  
3 or kerosene removed on or after the date that is 180 days  
4 after the date of the enactment of this section.

5 **CHAPTER 6—ENHANCING DEDUCTION**  
6 **AND INCOME TAX CREDIT GUARD-**  
7 **RAILS, AND OTHER REFORMS**  
8 **Subchapter A—Enhancing Deduction**  
9 **Guardrails and Other Reforms**

10 **SEC. 70601. LIMITATION ON INDIVIDUAL DEDUCTIONS FOR**  
11 **CERTAIN STATE AND LOCAL TAXES, ETC AND**  
12 **ADDRESSING SALT WORKAROUNDS.**

13 (a) IN GENERAL.—

14 (1) LIMITATION.—Section 275 is amended by  
15 redesignating subsection (b) as subsection (c) and by  
16 inserting after subsection (a) the following new sub-  
17 section:

18 “(b) LIMITATION ON INDIVIDUAL DEDUCTIONS FOR  
19 CERTAIN STATE AND LOCAL TAXES, ETC.—

20 “(1) IN GENERAL.—In the case of an indi-  
21 vidual, no deduction shall be allowed for—

22 “(A) any disallowed foreign real property  
23 taxes,

24 “(B) any specified taxes to the extent that  
25 such taxes for such taxable year in the aggre-

1 gate exceed \$10,000 (\$5,000 in the case of a  
2 married individual filing a separate return), and

3 “(C) any pass-through entity taxes to the  
4 extent that such taxes for the taxable year in  
5 the aggregate exceed the sum of—

6 “(i) the excess (if any) of the amount  
7 applicable to such individual under sub-  
8 paragraph (B) over the amount of the indi-  
9 vidual’s specified taxes, plus

10 “(ii) the greater of—

11 “(I) \$40,000 (\$20,000 in the  
12 case of a married individual filing a  
13 separate return), or

14 “(II) 50 percent of the pass-  
15 through entity taxes of the taxpayer.

16 “(2) DISALLOWED FOREIGN REAL PROPERTY  
17 TAX.—For purposes of this subsection, the term  
18 ‘disallowed foreign real property tax’ means any tax  
19 which—

20 “(A) is a foreign real property tax de-  
21 scribed in section 164(a)(1), and

22 “(B) is not an excepted tax.

23 “(3) SPECIFIED TAX.—For purposes of this  
24 subsection, the term ‘specified tax’ means—

25 “(A) any tax which—

1 “(i) is described in paragraph (1), (2),  
2 or (3) of section 164(a) (determined with-  
3 out regard to any election under section  
4 164(b)(5)) or is taken into account under  
5 section 164(b)(5), and

6 “(ii) is not an excepted tax, a pass-  
7 through entity tax, or a disallowed foreign  
8 real property tax,

9 “(B) any amount which is paid or accrued  
10 by a tenant-stockholder (as defined in section  
11 216(b)(2)) to a cooperative housing corporation  
12 and represents such tenant-stockholder’s pro-  
13 portionate share of taxes described in section  
14 216(a)(1) (other than an excepted tax), and

15 “(C) any substitute payment.

16 “(4) EXCEPTED TAX.—For purposes of this  
17 subsection, the term ‘excepted tax’ means—

18 “(A) any tax described in section  
19 164(a)(3) imposed by the authority of a foreign  
20 country or by a possession of the United States  
21 or a political subdivision thereof, and

22 “(B) any tax described in paragraph (1) or  
23 (2) of section 164(a), or section 216, which is  
24 paid or accrued in carrying on a trade or busi-  
25 ness or an activity described in section 212.

1           “(5) SUBSTITUTE PAYMENT.—For purposes of  
2       this subsection—

3           “(A) IN GENERAL.—The term ‘substitute  
4       payment’ means any amount (other than a tax  
5       described in paragraph (3)(A)) paid, incurred,  
6       or accrued to any jurisdiction referred to in sec-  
7       tion 164(b)(2) (other than a possession of the  
8       United States or a political subdivision there-  
9       of)) if, under the laws of one or more such ju-  
10      risdictions, one or more persons would (if the  
11      assumptions described in subparagraphs (B)  
12      and (C) applied) be entitled to specified tax  
13      benefits the aggregate dollar value of which  
14      equals or exceeds 25 percent of such amount.

15          “(B) ASSUMPTION REGARDING DOLLAR  
16      VALUE OF TAX BENEFITS.—The assumption de-  
17      scribed in this subparagraph is that the dollar  
18      value of a specified tax benefit is—

19           “(i) in the case of a credit or refund,  
20           the amount of such credit or refund,

21           “(ii) in the case of a deduction or ex-  
22           clusion, 15 percent of the amount of such  
23           deduction or exclusion, and

24           “(iii) in any other case, an amount  
25           determined in such manner as the Sec-



1           retary may provide consistent with the  
2           principles of clauses (i) and (ii).

3           “(C) ASSUMPTION REGARDING STATUS OF  
4           PARTNERS OR SHAREHOLDERS.—The assump-  
5           tion described in this subparagraph is, in the  
6           case of any amount referred to in subparagraph  
7           (A) which is paid, incurred, or accrued by a  
8           partnership or S corporation, that all of the  
9           partners or shareholders of such partnership or  
10          S corporation, respectively, are individuals who  
11          are residents of the jurisdiction or jurisdictions  
12          providing the specified tax benefits (and possess  
13          such other characteristics as the laws of such  
14          jurisdictions may require for entitlement to  
15          such benefits).

16          “(D) SPECIFIED TAX BENEFIT.—For pur-  
17          poses of subparagraph (A), the term ‘specified  
18          tax benefit’ means any benefit which—

19                 “(i) is determined with respect to the  
20                 amount referred to in subparagraph (A),  
21                 and

22                 “(ii) is allowed against, or determined  
23                 by reference to, a tax described in para-  
24                 graph (3)(A) or section 164(b)(5).

1           “(E) EXCEPTION FOR NON-DEDUCTIBLE  
2           PAYMENTS.—To the extent that a deduction for  
3           an amount described in subparagraph (A) is  
4           not allowed under this chapter (determined  
5           without regard to this subsection, section  
6           170(b)(1), section 703(a), section 704(d), sec-  
7           tion 1363(b), and section 1366(d)), the term  
8           ‘substitute payment’ shall not include such  
9           amount.

10           “(F) EXCEPTION FOR CERTAIN WITH-  
11           HOLDING TAXES.—To the extent provided in  
12           regulations issued by the Secretary, the term  
13           ‘substitute payment’ shall not include an  
14           amount withheld on behalf of another person if  
15           all of such amount is included in the gross in-  
16           come of such person (determined under this  
17           chapter).

18           “(6) PASS-THROUGH ENTITY TAX.—For pur-  
19           poses of this subsection, the term ‘pass-through enti-  
20           ty tax’ means—

21           “(A) the taxpayer’s distributive share of  
22           any tax described in section 702(a)(6)(B), plus

23           “(B) the taxpayer’s pro rata share of any  
24           such taxes taken into account under section  
25           1366(a)(1).

1           “(7) REGULATIONS.—The Secretary shall issue  
2           such regulations or other guidance as may be nec-  
3           essary or appropriate to carry out the purposes of  
4           this subsection, including regulations or other guid-  
5           ance—

6                   “(A) to treat as a tax described in para-  
7                   graph (3) of section 164(a) any tax that is, in  
8                   substance, based on general tax principles, de-  
9                   scribed in such paragraph,

10                   “(B) to treat as a substitute payment any  
11                   amount that, in substance, substitutes for a  
12                   specified tax, and

13                   “(C) to otherwise prevent the avoidance of  
14                   the purposes of this subsection.”.

15           (2) CONFORMING AMENDMENT.—Section  
16           216(a)(1) is amended by inserting “(other than dis-  
17           allowed foreign real property taxes (as defined in  
18           section 275(b)(2)))” after “under section 164”.

19           (b) STATE AND LOCAL INCOME TAXES PAID BY  
20           PARTNERSHIPS AND S CORPORATIONS TAKEN INTO AC-  
21           COUNT SEPARATELY BY PARTNERS AND SHARE-  
22           HOLDERS.—

23                   (1) IN GENERAL.—Section 702(a)(6) is amend-  
24                   ed to read as follows:

1           “(6)(A) taxes, described in section 901, paid or  
2           accrued to foreign countries or to possessions of the  
3           United States,

4           “(B) pass-through entity taxes,

5           “(C) specified taxes (within the meaning of sec-  
6           tion 275(b)), and

7           “(D) taxes described in section 275(b)(2),”.

8           (2) RULES RELATING TO SEPARATELY STATED  
9           TAXES.—Section 702 is amended by redesignating  
10          subsection (d) as subsection (e) and by inserting  
11          after subsection (c) the following new subsection:

12          “(d) RULES RELATING TO TAXES.—

13               “(1) PASS-THROUGH ENTITY TAX.—For pur-  
14               poses of subsection (a)(6)(B)—

15                   “(A) IN GENERAL.—The term ‘pass-  
16                   through entity tax’ means any tax which is de-  
17                   scribed in section 164(a)(3) (other than an ex-  
18                   cepted tax (as defined in section 275(b)(4)) to  
19                   the extent that such tax is paid or accrued in  
20                   carrying on a trade or business (other than the  
21                   performance of services as an employee) or an  
22                   activity described in section 212.

23                   “(B) EXCEPTION FOR JURISDICTIONS  
24                   WITH INCOME TAXES.—The term ‘pass-through

1           entity tax’ shall not include any tax described  
2           in subparagraph (A) if—

3                   “(i) such tax is imposed for a taxable  
4                   year beginning after the date that is 18  
5                   months after the date of the enactment of  
6                   this subsection,

7                   “(ii) the jurisdiction imposing the tax  
8                   also imposes an income tax on individuals,  
9                   and

10                   “(iii) the tax liability for such tax by  
11                   any pass-through entity would exceed 102  
12                   percent of the liability for the tax described  
13                   in clause (i) imposed on an unmarried indi-  
14                   vidual with net income (as determined  
15                   under the rules of the jurisdiction imposing  
16                   the tax) equal to the net income of the  
17                   pass-through entity.

18                   “(C) EXCEPTION FOR JURISDICTIONS  
19                   WITHOUT INCOME TAXES.—The term ‘pass-  
20                   through entity tax’ shall not include any tax de-  
21                   scribed in subparagraph (A) if—

22                   “(i) the jurisdiction imposing the tax  
23                   does not also impose an income tax on in-  
24                   dividuals, and

1 “(ii) such tax would be a substitute  
2 payment (as defined in section 275(b)(5))  
3 if, for purposes of applying section  
4 275(b)(5)(A), section 275(b)(3)(A) were  
5 applied—

6 “(I) by substituting ‘paragraph  
7 (1) or (2) of section 164(a)’ for ‘para-  
8 graph (1), (2), or (3) of section  
9 164(a)’ in clause (i) thereof, and

10 “(II) without regard to the  
11 phrase ‘, a pass-through entity tax,’ in  
12 clause (ii) thereof.

13 “(2) TREATMENT OF SUBSTITUTE PAY-  
14 MENTS.—Any substitute payment (as defined in sec-  
15 tion 275(b)(5)) shall be taken into account under  
16 subsection (a)(6)(C) and not under any other para-  
17 graph of subsection (a).

18 “(3) REGULATIONS.—The Secretary shall issue  
19 such regulations or other guidance as may be nec-  
20 essary or appropriate to carry out, and prevent the  
21 avoidance of, the purposes of this section, including  
22 regulations or other guidance—

23 “(A) providing for whether and to what ex-  
24 tent a tax is described in paragraph (1)(A), and

1           “(B) for preventing the treatment of any  
2           tax which is described in paragraph (1)(A) but  
3           not described in paragraph (1)(B) as a pass-  
4           through entity tax if the principal purpose of ei-  
5           ther such tax or the rates of such tax is to  
6           avoid the purposes of section 275(b).”.

7           (3) DISALLOWANCE OF DEDUCTION TO PART-  
8           NERSHIPS.—Section 703(a)(2)(B) is amended to  
9           read as follows:

10           “(B) any deduction under this chapter  
11           with respect to taxes or payments described in  
12           section 702(a)(6),”.

13           (4) LIMITATION ON ALLOWANCES OF LOSSES.—  
14           Section 704(d)(2) is amended to read as follows:

15           “(2) CARRYOVERS.—

16           “(A) IN GENERAL.—Any excess of such  
17           loss over such basis (determined after applica-  
18           tion of paragraph (3)) shall be taken into ac-  
19           count (including for purposes of section 705) at  
20           the end of the partnership year in which such  
21           excess is repaid to the partnership.

22           “(B) TREATMENT.—Any item of loss car-  
23           ried forward under subparagraph (A) shall re-  
24           tain the character of such item.

1           “(C) ALLOCATION.—The amount of the  
2           excess described in subparagraph (A) shall be  
3           allocated to the partner’s distributive share of  
4           each item of separately stated and non-sepa-  
5           rately stated loss taken into account under  
6           paragraph (1), apportioned in the ratio that the  
7           amount of each item of loss bears to the total  
8           of all such losses. For the purposes of the pre-  
9           ceding sentence, the total losses for the taxable  
10          year shall be the sum of the partner’s distribu-  
11          tive share of such losses for the current year  
12          and the partner’s losses carried forward under  
13          this paragraph from prior years.

14          “(D) SPECIAL RULE FOR NONDEDUCTIBLE  
15          SPECIFIED TAXES.—

16               “(i) IN GENERAL.—Except in the case  
17               of a partnership or corporation, the lesser  
18               of the amount described in clause (ii)(I), or  
19               the applicable percentage of nondeductible  
20               specified taxes, of a partner shall be sepa-  
21               rately carried forward under subparagraph  
22               (A) and shall not be allowed as a deduction  
23               in any taxable year.

24               “(ii) APPLICABLE PERCENTAGE.—For  
25               purposes of this subparagraph, the applica-



1           ble percentage with respect to any partner  
2           of a partnership is the ratio (expressed as  
3           a percentage) of—

4                       “(I) the amount described in sec-  
5                       tion 702(a)(6)(C) with respect to the  
6                       partner of such partnership, to

7                       “(II) the amount described in  
8                       clause (iii)(I) which is attributable to  
9                       partnerships for which there is an ex-  
10                      cess under subparagraph (A) and to S  
11                      corporations for which there is an ex-  
12                      cess under section 1366(d)(1).

13                     “(iii)   NONDEDUCTIBLE    SPECIFIED  
14                     TAXES.—For purposes of this subpara-  
15                     graph, the nondeductible specified taxes for  
16                     any taxable year is the excess (if any) of—

17                               “(I) the sum of the aggregate  
18                               amounts       described       in       section  
19                               702(a)(6)(C) with respect to the part-  
20                               ner for all partnerships plus the ag-  
21                               gregate amounts so described which  
22                               are a separately stated item under  
23                               section 1366(a)(1)(A) with respect to  
24                               the shareholder for all S corporations,  
25                               over

1                   “(II) the amount of specified  
2                   taxes (as defined in section 275(b)(3))  
3                   allowable under this chapter for the  
4                   taxable year, reduced by the amount  
5                   of any such taxes taken into account  
6                   under subclause (I).

7                   For purposes of subclause (II), the deter-  
8                   mination of the amount of such taxes so  
9                   allowable shall be made after the applica-  
10                  tion of section 275(b)(1)(B), after the ap-  
11                  plication of this subsection and 1366(d) to  
12                  items of loss and deduction other than  
13                  such taxes but before their application to  
14                  such taxes, and before the application of  
15                  section 68.”.

16                  (5) S CORPORATIONS.—

17                         (A) IN GENERAL.—For corresponding pro-  
18                         visions related to S corporations which apply by  
19                         reason of the amendments made by paragraphs  
20                         (1) through (3), see sections 1366(a)(1) and  
21                         1363(b)(2) of the Internal Revenue Code of  
22                         1986.

23                         (B) LOSS CARRYOVERS.—

1 (i) IN GENERAL.—Section 1366(d)(2)  
2 is amended by adding at the end the fol-  
3 lowing new subparagraph:

4 “(C) SPECIAL RULE FOR CERTAIN SPECI-  
5 FIED TAXES.—

6 “(i) IN GENERAL.—Except in the case  
7 of a partnership or corporation, the lesser  
8 of the amount described in clause (ii)(I), or  
9 the applicable percentage of nondeductible  
10 specified taxes, of a shareholder shall be  
11 separately carried forward under subpara-  
12 graph (A) and shall not be allowed as a de-  
13 duction in any taxable year.

14 “(ii) APPLICABLE PERCENTAGE.—For  
15 purposes of this subparagraph, the applica-  
16 ble percentage with respect to any share-  
17 holder of an S corporation is the ratio (ex-  
18 pressed as a percentage) of—

19 “(I) the amount taken into ac-  
20 count under section  
21 704(d)(2)(D)(iii)(I) which are sepa-  
22 rately stated items under subsection  
23 (a)(1)(A) with respect to such share-  
24 holder of such S corporation, to

1 “(II) the amount described in  
2 section 704(d)(2)(D)(iii)(I) which is  
3 attributable to S corporations for  
4 which there is an excess under sub-  
5 paragraph (A) and to partnerships for  
6 which there is an excess under section  
7 704(d)(2)(A) .

8 “(iii) NONDEDUCTIBLE SPECIFIED  
9 TAXES.—For purposes of this subpara-  
10 graph, the term ‘nondeductible specified  
11 taxes’ has the meaning given such term  
12 under section 704(d)(2)(D)(iii),”.

13 (ii) CONFORMING AMENDMENT.—Sec-  
14 tion 1366(d)(2)(A) is amended by striking  
15 “subparagraph (B)” and inserting “sub-  
16 paragraph (B) or (C)”.

17 (6) CONFORMING AMENDMENTS.—

18 (A) ALTERNATIVE MINIMUM TAX.—Section  
19 56(b)(1)(A)(ii) is amended by inserting “or for  
20 any substitute payment (as defined in section  
21 275(b)(5))” before the period at the end.

22 (B) ADJUSTED GROSS INCOME.—Section  
23 62(a)(1) is amended by inserting “or with re-  
24 spect to any specified tax (as defined in section  
25 275(b)(3))” after “this subchapter”.

1 (c) ADDITION TO TAX FOR STATE AND LOCAL TAX  
2 ALLOCATION MISMATCH.—

3 (1) IN GENERAL.—Part I of subchapter A of  
4 chapter 68, as amended by the preceding provisions  
5 of this Act, is amended by adding at the end the fol-  
6 lowing new section:

7 **“SEC. 6660. STATE AND LOCAL TAX ALLOCATION MIS-**  
8 **MATCH.**

9 “(a) IN GENERAL.—In the case of any covered indi-  
10 vidual, there shall be added to the tax imposed under sec-  
11 tion 1 for the taxable year an amount equal to the product  
12 of—

13 “(1) the highest rate of tax in effect under such  
14 section for such taxable year, multiplied by

15 “(2) the sum of the State and local tax alloca-  
16 tion mismatches for such taxable year with respect  
17 to each partnership specified tax payment with re-  
18 spect to which such individual is a covered indi-  
19 vidual.

20 “(b) COVERED INDIVIDUAL.—For purposes of this  
21 section, the term ‘covered individual’ means, with respect  
22 to any partnership specified tax payment, any individual  
23 (or estate or trust) who—

1           “(1) is entitled (directly or indirectly) to one or  
2           more specified tax benefits with respect to such pay-  
3           ment, and

4           “(2) takes into account (directly or indirectly)  
5           any item of income, gain, deduction, loss, or credit  
6           of the partnership (including guaranteed payments)  
7           which made such payment.

8           “(c) STATE AND LOCAL TAX ALLOCATION MIS-  
9           MATCH.—For purposes of this section—

10           “(1) IN GENERAL.—The term ‘State and local  
11           tax allocation mismatch’ means, with respect to any  
12           partnership specified tax payment, the excess (if  
13           any) of—

14                   “(A) the aggregate dollar value of the  
15                   specified tax benefits of the covered individual  
16                   with respect to such payment, over

17                   “(B) the amount of such payment taken  
18                   into account by such individual under section  
19                   702(a) (without regard to sections 275(b) and  
20                   704(d)).

21           “(2) TAXABLE YEAR OF INDIVIDUAL IN WHICH  
22           MISMATCH TAKEN INTO ACCOUNT.—In the case of  
23           any partnership specified tax payment paid, in-  
24           curred, or accrued in any taxable year of the part-  
25           nership, the State and local tax allocation mismatch

1       determined under paragraph (1) with respect to  
2       such payment shall be taken into account under sub-  
3       section (a) by the covered individual for the taxable  
4       year of such individual in which such individual  
5       takes into account the items referred to in sub-  
6       section (b)(2) which are determined with respect to  
7       such partnership taxable year.

8       “(d) DETERMINATION OF DOLLAR VALUE OF SPECI-  
9       FIED TAX BENEFITS.—

10           “(1) IN GENERAL.—Except in the case of a cov-  
11       ered individual who elects the application of para-  
12       graph (3) for any taxable year, the dollar value of  
13       any specified tax benefit shall be the sum of—

14           “(A) the aggregate increase in tax liability  
15       (and reduction in credit or refund) for taxes de-  
16       scribed in section 275(b)(3)(A) for the taxable  
17       year and all prior taxable years that would re-  
18       sult if such specified tax benefit were not taken  
19       into account with respect to such taxes, plus

20           “(B) the deemed value of any carryforward  
21       of such specified tax benefit (including any tax  
22       attribute derived from such benefit) to any sub-  
23       sequent taxable year.

1           “(2) DEEMED VALUE OF CARRYFORWARDS.—

2           For purposes of paragraph (1), the deemed value of  
3           any carryforward is—

4                   “(A) in the case of a credit or refund, the  
5                   amount of such credit or refund,

6                   “(B) in the case of a deduction or exclu-  
7                   sion, the product of—

8                           “(i) the highest rate of tax which may  
9                           be imposed on individuals under the tax re-  
10                          ferred to in subsection (e)(4)(B) with re-  
11                          spect to the specified tax benefit, multi-  
12                          plied by

13                           “(ii) the amount of such deduction or  
14                          exclusion, and

15                          “(C) in any other case, an amount deter-  
16                          mined in such manner as the Secretary may  
17                          provide consistent with the principles of sub-  
18                          paragraphs (A) and (B).

19           “(3) ELECTION OF SIMPLIFIED METHOD.—In  
20           the case of a covered individual who elects the appli-  
21           cation of this paragraph for any taxable year, the  
22           dollar value of any specified tax benefit shall be de-  
23           termined under the assumptions described in section  
24           275(b)(5)(B).



1       “(e) OTHER DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this section—

3           “(1) PARTNERSHIP SPECIFIED TAX PAY-  
4       MENT.—The term ‘partnership specified tax pay-  
5       ment’ means any specified tax and any pass-through  
6       entity tax paid, incurred, or accrued by a partner-  
7       ship.

8           “(2) PASS-THROUGH ENTITY TAX.—The term  
9       ‘pass-through entity tax’ has the meaning given such  
10      term by section 275(b)(6).

11          “(3) SPECIFIED TAX.—The term ‘specified tax’  
12      has the meaning given such term by section  
13      275(b)(3).

14          “(4) SPECIFIED TAX BENEFIT.—The term  
15      ‘specified tax benefit’ means any benefit which—

16           “(A) is determined with respect to a part-  
17      nership specified tax payment, and

18           “(B) is allowed against, or determined by  
19      reference to, a tax described in section  
20      275(b)(3)(A).

21          “(f) REGULATIONS.—The Secretary shall issue such  
22      regulations or other guidance as may be necessary or ap-  
23      propriate to carry out the purposes of this section, includ-  
24      ing regulations or other guidance preventing avoidance of  
25      the addition to tax prescribed by this section through part-

1 nership allocations that achieve similar tax reductions as  
2 a State and local tax allocation mismatch.”.

3 (2) CLERICAL AMENDMENT.—The table of sec-  
4 tions for part I of subchapter A of chapter 68, as  
5 amended by the preceding provisions of this Act, is  
6 amended by adding at the end the following new  
7 item:

“Sec. 6660. State and local tax allocation mismatch.”.

8 (d) LIMITATION ON CAPITALIZATION OF SPECIFIED  
9 TAXES.—Section 275, as amended by the preceding provi-  
10 sions of this section, is amended by redesignating sub-  
11 section (c) as subsection (d) and by inserting after sub-  
12 section (b) the following new subsection:

13 “(c) LIMITATIONS ON CAPITALIZATION OF SPECI-  
14 FIED TAXES.—Notwithstanding any other provision of  
15 this chapter, in the case of an individual, specified taxes,  
16 pass-through entity taxes, and disallowed foreign real  
17 property taxes (as such terms are defined in subsection  
18 (b)) shall not be treated as chargeable to capital ac-  
19 count.”.

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

1 **SEC. 70602. EXTENSION AND MODIFICATION OF LIMITA-**  
2 **TION ON EXCESS BUSINESS LOSSES OF NON-**  
3 **CORPORATE TAXPAYERS.**

4 (a) RULE MADE PERMANENT.—Section 461(l)(1) is  
5 amended by striking “and before January 1, 2029,” each  
6 place it appears.

7 (b) EXCESS BUSINESS LOSS DETERMINED ON A CU-  
8 MULATIVE BASIS WITH RESPECT TO PERIODS AFTER  
9 2024.—

10 (1) IN GENERAL.—Section 461(l)(2) is amend-  
11 ed to read as follows:

12 “(2) DISALLOWED LOSS CARRYOVER.—Any loss  
13 disallowed under paragraph (1) for any taxable year  
14 shall be treated for purposes of this title as a deduc-  
15 tion described in paragraph (3)(A)(i) arising in the  
16 succeeding taxable year.”.

17 (2) TREATMENT OF LOSS CARRYOVERS UPON  
18 TERMINATION OF ESTATES OR TRUSTS.—

19 (A) IN GENERAL.—Section 461(l) is  
20 amended by adding at the end the following:

21 “(7) TREATMENT OF LOSS CARRYOVERS UPON  
22 TERMINATION OF ESTATES OR TRUSTS.—If, on the  
23 termination of an estate or trust, the estate or trust  
24 has an excess business loss to be carried forward to  
25 a taxable year under paragraph (2), then any deduc-  
26 tion allowed to the beneficiaries succeeding to the

1 property of the estate or trust with respect to such  
2 excess business loss shall be subject to the same  
3 rules and limitations under this subsection as ap-  
4 plied to such excess business loss prior to such ter-  
5 mination.”.

6 (B) CONFORMING AMENDMENT.—Para-  
7 graph (1) of section 642(h) is amended by add-  
8 ing at the end the following new sentence: “For  
9 the treatment of an excess business loss carry-  
10 over under section 461(l)(2) in the case of the  
11 termination of an estate or trust, see section  
12 461(l)(7).”

13 (3) DISCHARGE OF INDEBTEDNESS INCOME.—

14 (A) IN GENERAL.— Section 108(b)(2) is  
15 amended by redesignating subparagraph (G) as  
16 subparagraph (H) and by inserting after sub-  
17 paragraph (F) the following new subparagraph:

18 “(G) EXCESS BUSINESS LOSS  
19 CARRYOVERS.—Any excess business loss carry-  
20 over under section 461(l)(2) to such taxable  
21 year.”.

22 (B) CONFORMING AMENDMENTS.—

23 (i) Section 108(b) is amended—

1 (I) by striking “and (G)” in  
2 paragraph (3)(B) and inserting “and  
3 (H)”, and

4 (II) by striking “and (G)” in the  
5 text and heading of paragraph (4)(C)  
6 and inserting “and (H)”.

7 (ii) Section 108(g)(3)(B) is amended—

8 (I) by striking “and (G)” the  
9 first place it appears and inserting  
10 “(G), and (H)”, and

11 (II) by striking “and (G)” the  
12 second place it appears and inserting  
13 “and (H)”.

14 (4) SUCCESSOR TAX ATTRIBUTES.—

15 (A) IN GENERAL.—Section 1398(g) is  
16 amended by redesignating paragraph (8) as  
17 paragraph (9) and by inserting after paragraph  
18 (7) the following:

19 “(1) NET BUSINESS LOSS CARRYOVERS.—The  
20 excess business loss carryovers under section  
21 461(l)(2).”.

22 (B) CONFORMING AMENDMENT.—Section  
23 1398 (i) is amended by striking “and (6)” and  
24 inserting “(6), and (8)”.

1       (c) REGULATORY AUTHORITY.—Section 461(l), as  
2 amended by subsection (b)(2)(A), is amended by adding  
3 at the end the following:

4           “(8) REGULATORY AUTHORITY.—The Secretary  
5 shall prescribe such regulations or guidance as may  
6 be necessary or appropriate to carry out the pur-  
7 poses of this subsection, including regulations and  
8 guidance—

9           “(A) defining the scope of gross income  
10 and deductions attributable to a trade or busi-  
11 ness for purposes of this subsection, including  
12 computing such income and deductions in a  
13 manner similar to the rules set forth in section  
14 172(d),

15           “(B) with respect to the reduction of an  
16 excess business loss under section 108 and the  
17 carryover of tax attributes under section 1398,

18           “(C) to the extent not inconsistent with  
19 the purposes of this subsection, treating, for  
20 purposes of section 1341 and subtitle F, any  
21 deduction described in paragraph (2) with re-  
22 spect to a loss attributable to a trade or busi-  
23 ness (other than a trade or business described  
24 in the last sentence of paragraph (3)(A)) in a

1 manner similar to the treatment of net oper-  
2 ating losses and

3 “(D) providing rules for the application of  
4 paragraph (7) in the case of a termination of  
5 an estate or trust.”.

6 (d) EFFECTIVE DATES.—

7 (1) SUBSECTION (a).—The amendments made  
8 by subsection (a) shall apply to taxable years begin-  
9 ning after December 31, 2026.

10 (2) SUBSECTIONS (b) AND (c).—The amend-  
11 ments made by subsections (b) and (c) shall apply  
12 to losses arising (or treated as arising under section  
13 461(l)(2) of the Internal Revenue Code of 1986, as  
14 amended by this section) in taxable years beginning  
15 after December 31, 2024.

16 **SEC. 70603. TREATMENT OF PAYMENTS FROM PARTNER-**  
17 **SHIPS TO PARTNERS FOR PROPERTY OR**  
18 **SERVICES.**

19 (a) IN GENERAL.—Section 707(a)(2) is amended by  
20 striking “Under regulations prescribed” and inserting  
21 “Except as provided”.

22 (b) EFFECTIVE DATE.—The amendment made by  
23 this section shall apply to services performed, and property  
24 transferred, after the date of the enactment of this Act.

1       (c) RULE OF CONSTRUCTION.—Nothing in this sec-  
2 tion, or the amendments made by this section, shall be  
3 construed to create any inference with respect to the prop-  
4 er treatment under section 707(a) of the Internal Revenue  
5 Code of 1986 with respect to payments from a partnership  
6 to a partner for services performed, or property trans-  
7 ferred, on or before the date of the enactment of this Act.

8       **SEC. 70604. EXCESSIVE EMPLOYEE REMUNERATION FROM**  
9                               **CONTROLLED GROUP MEMBERS AND ALLO-**  
10                              **CATION OF DEDUCTION.**

11       (a) APPLICATION OF AGGREGATION RULES.—Section  
12 162(m) is amended by adding at the end the following new  
13 paragraph:

14               “(7) REMUNERATION FROM CONTROLLED  
15 GROUP MEMBERS.—

16               “(A) IN GENERAL.—In the case of any  
17 publicly held corporation which is a member of  
18 a controlled group—

19                       “(i) paragraph (1) shall be applied by  
20 substituting ‘specified covered employee’  
21 for ‘covered employee’, and

22                       “(ii) if any person which is a member  
23 of such controlled group (other than such  
24 publicly held corporation) provides applica-  
25 ble employee remuneration to an individual



1           who is a specified covered employee of such  
2           controlled group and the aggregate amount  
3           described in subparagraph (B)(ii) with re-  
4           spect to such specified covered employee  
5           exceeds \$1,000,000—

6                   “(I) paragraph (1) shall apply to  
7                   such person with respect to such re-  
8                   muneration, and

9                   “(II) paragraph (1) shall apply  
10                  to such publicly held corporation and  
11                  to each such related person by sub-  
12                  stituting ‘the allocable limitation  
13                  amount’ for ‘\$1,000,000’.

14                  “(B) ALLOCABLE LIMITATION AMOUNT.—

15                  For purposes of this paragraph, the term ‘allo-  
16                  cable limitation amount’ means, with respect to  
17                  any member of the controlled group referred to  
18                  in subparagraph (A) with respect to any speci-  
19                  fied covered employee of such controlled group,  
20                  the amount which bears the same ratio to  
21                  \$1,000,000 as—

22                   “(i) the amount of applicable em-  
23                   ployee remuneration provided by such  
24                   member with respect to such specified cov-  
25                   ered employee, bears to

1                   “(ii) the aggregate amount of applica-  
2                   ble employee remuneration provided by all  
3                   such members with respect to such speci-  
4                   fied covered employee.

5                   “(C) SPECIFIED COVERED EMPLOYEE.—  
6                   For purposes of this paragraph, the term ‘spec-  
7                   ified covered employee’ means, with respect to  
8                   any controlled group—

9                   “(i) any employee described in sub-  
10                  paragraph (A), (B), or (D) of paragraph  
11                  (3), with respect to the publicly held cor-  
12                  poration which is a member of such con-  
13                  trolled group, and

14                  “(ii) any employee who would be de-  
15                  scribed in subparagraph (C) of paragraph  
16                  (3) if such subparagraph were applied by  
17                  taking into account the employees of all  
18                  members of the controlled group.

19                  “(D) CONTROLLED GROUP.—For purposes  
20                  of this paragraph, the term ‘controlled group’  
21                  means any group treated as a single employer  
22                  under subsection (b), (c), (m), or (o) of section  
23                  414.”.

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

4 **SEC. 70605. THIRD PARTY LITIGATION FUNDING REFORM.**

5 (a) IN GENERAL.—Subtitle D is amended by adding  
6 at the end the following new chapter:

7 **“CHAPTER 50B—LITIGATION FINANCING**

“Sec. 5000E-1. Tax imposed.

“Sec. 5000E-2. Definitions.

“Sec. 5000E-3. Special rules.

8 **“SEC. 5000E-1. TAX IMPOSED.**

9 “(a) IN GENERAL.—A tax is hereby imposed for each  
10 taxable year in an amount equal to the applicable percent-  
11 age of any qualified litigation proceeds received by a cov-  
12 ered party.

13 “(b) APPLICABLE PERCENTAGE.—For purposes of  
14 subsection (a), with respect to any taxable year, the appli-  
15 cable percentage shall be the amount (expressed as a per-  
16 centage) equal to the sum of—

17 “(1) the highest rate of tax imposed by section  
18 1 for such taxable year, plus

19 “(2) 3.8 percentage points.

20 “(c) APPLICATION OF TAX FOR PASS-THROUGH EN-  
21 TITIES.—In the case of a covered party that is a partner-  
22 ship, S corporation, or other pass-through entity, the tax  
23 imposed under subsection (a) shall be applied at the entity  
24 level.

1 **“SEC. 5000E-2. DEFINITIONS.**

2 “In this chapter—

3 “(1) CIVIL ACTION.—

4 “(A) IN GENERAL.—The term ‘civil action’  
5 means any civil action, administrative pro-  
6 ceeding, claim, or cause of action.

7 “(B) MULTIPLE ACTIONS.—The term ‘civil  
8 action’ may, unless otherwise indicated, include  
9 more than 1 civil action.

10 “(2) COVERED PARTY.—

11 “(A) IN GENERAL.—The term ‘covered  
12 party’ means, with respect to any civil action,  
13 any third party (including an individual, cor-  
14 poration, partnership, or sovereign wealth fund)  
15 to such action which—

16 “(i) receives funds pursuant to a liti-  
17 gation financing agreement, and

18 “(ii) is not an attorney representing a  
19 party to such civil action.

20 “(B) INCLUSION OF DOMESTIC AND FOR-  
21 EIGN ENTITIES.—Subparagraph (A) shall apply  
22 to any third party without regard to whether  
23 such party is created or organized in the United  
24 States or under the law of the United States or  
25 of any State.

26 “(3) LITIGATION FINANCING AGREEMENT.—

“(A) IN GENERAL.—The term ‘litigation financing agreement’ means, with respect to any civil action, a written agreement—

“(i) whereby a third party agrees to provide funds to one of the named parties or any law firm affiliated with such civil action, and

“(ii) which creates a direct or collateralized interest in the proceeds of such action (by settlement, verdict, judgment or otherwise) which—

“(I) is based, in whole or in part,  
on a funding-based obligation to—

“(aa) such civil action,

“(bb) the appearing counsel,

“(cc) any contractual co-  
counsel, or

“(dd) the law firm of such  
counsel or co-counsel, and

“(II) is executed with—

“(aa) any attorney representing a party to such civil action,

“(bb) any co-counsel in such civil action with a contingent fee

1 interest in the representation of  
2 such party,

3 “(cc) any third party that  
4 has a collateral-based interest in  
5 the contingency fees of the coun-  
6 sel or co-counsel firm which is re-  
7 lated, in whole or part, to the  
8 fees derived from representing  
9 such party, or

10 “(dd) any named party in  
11 such civil action.

12 “(B) SUBSTANTIALLY SIMILAR AGREE-  
13 MENTS.—The term ‘litigation financing agree-  
14 ment’ shall include any contract (including any  
15 option, forward contract, futures contract, short  
16 position, swap, or similar contract) or other  
17 agreement which, as determined by the Sec-  
18 retary, is substantially similar to an agreement  
19 described in subparagraph (A).

20 “(C) EXCEPTIONS.—The term ‘litigation  
21 financing agreement’ shall not include any  
22 agreement—

23 “(i) under which the total amount of  
24 funds described in subparagraph (A)(i)

1 with respect to an individual civil action is  
2 less than \$10,000, or

3 “(ii) in which the third party de-  
4 scribed in subparagraph (A)—

5 “(I) has a right to receive pro-  
6 ceeds which are derived from, or pur-  
7 suant to, such agreement that are lim-  
8 ited to—

9 “(aa) repayment of the prin-  
10 cipal of a loan,

11 “(bb) repayment of the prin-  
12 cipal of a loan plus any interest  
13 on such loan, provided that the  
14 rate of interest does not exceed  
15 the greater of—

16 “(AA) 7 percent, or

17 “(BB) a rate equal to  
18 twice the average annual  
19 yield on 30-year United  
20 States Treasury securities  
21 (as determined for the year  
22 preceding the date on which  
23 such agreement was exe-  
24 cuted), or

1                   “(cc) reimbursement of at-  
2                   torney’s fees, or

3                   “(II) bears a relationship de-  
4                   scribed in section 267(b) to the  
5                   named party receiving the payment  
6                   described in subparagraph (A)(i).

7                   “(4) QUALIFIED LITIGATION PROCEEDS.—

8                   “(A) IN GENERAL.—The term ‘qualified  
9                   litigation proceeds’ means, with respect to any  
10                  taxable year, an amount equal to the realized  
11                  gains, net income, or other profit received by a  
12                  covered party during such taxable year which is  
13                  derived from, or pursuant to, any litigation fi-  
14                  nancing agreement.

15                  “(B) ANTI-NETTING.—Any gains, income,  
16                  or profit described in subparagraph (A) shall  
17                  not be reduced or offset by any ordinary or cap-  
18                  ital loss in the taxable year.

19                  “(C) PROHIBITION ON EXCLUSION OF CER-  
20                  TAIN AMOUNTS.—In determining the amount of  
21                  realized gain under subparagraph (A), amounts  
22                  described in section 104(a)(2) and 892(a)(1)  
23                  shall not be excluded.



1   **“SEC. 5000E-3. SPECIAL RULES.**

2           “(a) WITHHOLDING OF TAX ON LITIGATION PRO-  
3   CEEDS.—Any applicable person having the control, re-  
4   ceipt, or custody of any proceeds from a civil action (by  
5   settlement, judgment, or otherwise) with respect to which  
6   such person had entered into a litigation financing agree-  
7   ment shall deduct and withhold from such proceeds a tax  
8   equal to 50 percent of the applicable percentage (as deter-  
9   mined under section 5000E-1(b)) of any payments which  
10   are required to be made to a third party pursuant to such  
11   agreement.

12          “(b) APPLICABLE PERSON.—For purposes of this  
13   section, the term ‘applicable person’ means any person  
14   which—

15               “(1) is a named party in a civil action or a law  
16   firm affiliated with such civil action, and

17               “(2) has entered into a litigation financing  
18   agreement with respect to such civil action.

19          “(c) APPLICATION OF WITHHOLDING PROVISIONS.—

20               “(1) LIABILITY FOR WITHHELD TAX.—Every  
21   person required to deduct and withhold any tax  
22   under this chapter is hereby made liable for such tax  
23   and is hereby indemnified against the claims and de-  
24   mands of any person for the amount of any pay-  
25   ments made in accordance with the provisions of this  
26   chapter.

1           “(2) WITHHELD TAX AS CREDIT TO RECIPIENT  
2           OF QUALIFIED LITIGATION PROCEEDS.—Qualified  
3           litigation proceeds on which any tax is required to  
4           be withheld at the source under this chapter shall be  
5           included in the return of the recipient of such pro-  
6           ceeds, but any amount of tax so withheld shall be  
7           credited against the amount of tax as computed in  
8           such return.

9           “(3) TAX PAID BY RECIPIENT OF QUALIFIED  
10          LITIGATION PROCEEDS.—If—

11                 “(A) any person, in violation of the provi-  
12                 sions of this chapter, fails to deduct and with-  
13                 hold any tax under this chapter, and

14                 “(B) thereafter the tax against which such  
15                 tax may be credited is paid,

16           the tax so required to be deducted and withheld  
17           shall not be collected from such person, but this  
18           paragraph shall in no case relieve such person from  
19           liability for interest or any penalties or additions to  
20           the tax otherwise applicable in respect of such fail-  
21           ure to deduct and withhold.

22           “(4) REFUNDS AND CREDITS WITH RESPECT TO  
23           WITHHELD TAX.—Where there has been an overpay-  
24           ment of tax under this chapter, any refund or credit  
25           made under chapter 65 shall be made to the with-

1 holding agent unless the amount of such tax was ac-  
2 tually withheld by the withholding agent.”.

3 (b) EXCLUSION FROM DEFINITION OF CAPITAL  
4 ASSET.—Section 1221(a) is amended—

5 (1) in paragraph (7), by striking “or” at the  
6 end,

7 (2) in paragraph (8), by striking the period at  
8 the end and inserting “; or”, and

9 (3) by adding at the end the following new  
10 paragraph:

11 “(9) any financial arrangement created by, or  
12 any proceeds derived from, a litigation financing  
13 agreement (as defined under section 5000E-2).”.

14 (c) REMOVAL FROM GROSS INCOME.—Part III of  
15 subchapter B of chapter 1, as amended by the preceding  
16 provisions of this Act, is amended by inserting after sec-  
17 tion 139K the following new section:

18 **“SEC. 139L. QUALIFIED LITIGATION PROCEEDS.**

19 “Gross income shall not include any qualified litiga-  
20 tion proceeds (as defined in section 5000E-2).”.

21 (d) CLERICAL AMENDMENTS.—

22 (1) Section 7701(a)(16) is amended by insert-  
23 ing “5000E-3(c)(1),” before “1441”.

1           (2) The table of chapters for subtitle D is  
2           amended by inserting after the item relating to  
3           chapter 50A the following new item:

“CHAPTER 50B—LITIGATION FINANCING”.

4           (3) The table of sections for part III of sub-  
5           chapter B of chapter 1, as amended by the pre-  
6           ceding provisions of this Act, is amended by insert-  
7           ing after the item relating to section 139K the fol-  
8           lowing new item:

“Sec. 139L. Qualified litigation proceeds.”.

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

12   **SEC. 70606. EXCISE TAX ON CERTAIN REMITTANCE TRANS-**  
13                           **FERS.**

14          (a) IN GENERAL.—Chapter 36 is amended by insert-  
15          ing after subchapter B the following new subchapter:

16          **“Subchapter C—Remittance Transfers**

“Sec. 4475. Imposition of tax.

17   **“SEC. 4475. IMPOSITION OF TAX.**

18          “(a) IN GENERAL.—There is hereby imposed on any  
19          remittance transfer a tax equal to 3.5 percent of the  
20          amount of such transfer.

21          “(b) PAYMENT OF TAX.—

1           “(1) IN GENERAL.—The tax imposed by this  
2           section with respect to any remittance transfer shall  
3           be paid by the sender with respect to such transfer.

4           “(2) COLLECTION AND RECORDING OF INFOR-  
5           MATION.—The remittance transfer provider with re-  
6           spect to any remittance transfer shall—

7                   “(A) collect the amount of the tax imposed  
8                   under subsection (a) with respect to such trans-  
9                   fer from the sender and remit such tax quar-  
10                  terly to the Secretary at such time and in such  
11                  manner as provided by the Secretary,

12                  “(B) provide the sender with an oppor-  
13                  tunity to certify their intent to claim the credit  
14                  under section 36C, and

15                  “(C) in the case of a sender who makes a  
16                  certification under subparagraph (B), request  
17                  that the sender provide the remittance transfer  
18                  provider with their name, address, and social  
19                  security number (as defined in section 24(h)(7))  
20                  for purposes of complying with the require-  
21                  ments under sections 36C(c)(2) and  
22                  6050BB(a)(1)(A).

23           “(3) SECONDARY LIABILITY.—Where any tax  
24           imposed by subsection (a) is not paid at the time the  
25           transfer is made, then to the extent that such tax

1 is not collected, such tax shall be paid by the remit-  
2 tance transfer provider.

3 “(c) EXCEPTION FOR REMITTANCE TRANSFERS  
4 SENT FROM ACCOUNTS SUBJECT TO THE BANK SECRECY  
5 ACT.—Subsection (a) shall not apply to any remittance  
6 transfer for which the funds being transferred are—

7 “(1) withdrawn from an account held in or by  
8 a financial institution—

9 “(A) which is described in subparagraph  
10 (A), (B), (C), (D), (E), (G), or (H) of section  
11 5312(a)(2) of title 31, United States Code, and

12 “(B) that is subject to the requirements  
13 under subchapter II of chapter 53 of such title,  
14 or

15 “(2) funded with a debit card or a credit card  
16 which is issued in the United States.

17 “(d) RULE OF CONSTRUCTION WITH RESPECT TO  
18 CASH AND SIMILAR INSTRUMENTS.—The tax imposed  
19 under subsection (a) shall apply to any remittance transfer  
20 for which the sender provides cash, a money order, a cash-  
21 ier’s check, or any other similar instrument (as deter-  
22 mined by the Secretary) to the remittance transfer pro-  
23 vider.

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

1           “(1) IN GENERAL.—The terms ‘remittance  
2           transfer’, ‘remittance transfer provider’, and ‘sender’  
3           shall each have the respective meanings given such  
4           terms by section 919(g) of the Electronic Fund  
5           Transfer Act (15 U.S.C. 1693o–1(g)).

6           “(2) CREDIT CARD.—The term ‘credit card’ has  
7           the same meaning given such term under section  
8           920(c)(3) of the Electronic Fund Transfer Act (15  
9           U.S.C. 1693o–2(c)(3)).

10          “(3) DEBIT CARD.—The term ‘debit card’ has  
11          the same meaning given such term under section  
12          920(c)(2) of the Electronic Fund Transfer Act (15  
13          U.S.C. 1693o–2(c)(2)), without regard to subpara-  
14          graph (B) of such section.

15          “(f) APPLICATION OF ANTI-CONDUIT RULES.—For  
16          purposes of section 7701(l), with respect to any multiple-  
17          party arrangements involving the sender, a remittance  
18          transfer shall be treated as a financing transaction.”.

19          (b) REFUNDABLE INCOME TAX CREDIT ALLOWED  
20          TO INDIVIDUALS WITH WORK-ELIGIBLE SOCIAL SECU-  
21          RITY NUMBERS FOR EXCISE TAX ON REMITTANCE  
22          TRANSFERS.—Subpart C of part IV of subchapter A of  
23          chapter 1 is amended by inserting after section 36B the  
24          following new section:

1 **“SEC. 36C. CREDIT FOR EXCISE TAX ON REMITTANCE**  
2 **TRANSFERS BY INDIVIDUALS WITH WORK-EL-**  
3 **IGIBLE SOCIAL SECURITY NUMBERS.**

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 individual includes on  
12 their return of tax for the taxable year the individ-  
13 ual’s social security number.

14 “(2) SOCIAL SECURITY NUMBER.—For pur-  
15 poses of this subsection, the term ‘social security  
16 number’ has the meaning given such term in section  
17 24(h)(7).

18 “(c) SUBSTANTIATION REQUIREMENTS.—No credit  
19 shall be allowed under this section unless the individual  
20 demonstrates to the satisfaction of the Secretary that the  
21 tax under section 4475 with respect to which such credit  
22 is determined—

23 “(1) was paid by the individual, and

24 “(2) is with respect to a remittance transfer for  
25 which the individual provided to the remittance



1 transfer provider the certification and information  
2 referred to in section 6050BB(a)(1)(A).

3 “(d) DEFINITIONS.—Any term used in this section  
4 which is also used in section 4475 shall have the meaning  
5 given such term in section 4475.

6 “(e) APPLICATION OF ANTI-CONDUIT RULES.—For  
7 rules providing for the application of the anti-conduit rules  
8 of section 7701(l) to remittance transfers, see section  
9 4475(e).”.

10 (c) REPORTING BY REMITTANCE TRANSFER PRO-  
11 VIDERS.—

12 (1) IN GENERAL.—Subpart B of part III of  
13 subchapter A of chapter 61, as amended by the pre-  
14 ceding provisions of this Act, is amended by adding  
15 at the end the following new section:

16 **“SEC. 6050BB. RETURNS RELATING TO REMITTANCE**  
17 **TRANSFERS.**

18 “(a) IN GENERAL.—Each remittance transfer pro-  
19 vider shall make a return at such time and in such manner  
20 as the Secretary may provide setting forth—

21 “(1) in the case of any remittance transfer with  
22 respect to which the sender certifies to the remit-  
23 tance transfer provider an intent to claim the credit  
24 under section 36C—

1                   “(A) with respect to each sender who has  
2                   so certified—

3                   “(i) the name, address, and social se-  
4                   curity number of the sender,

5                   “(ii) the amount of tax paid by the  
6                   sender under section 4475(b)(1), and

7                   “(iii) the amount of tax remitted by  
8                   the remittance transfer provider under sec-  
9                   tion 4475(b)(2),

10                  “(B) the aggregate amount of tax paid  
11                  under section 4475(b)(1) with respect to such  
12                  transfers, and

13                  “(C) the aggregate amount of tax remitted  
14                  under section 4475(b)(2) with respect to such  
15                  transfers, and

16                  “(2) in the case of any remittance transfer not  
17                  described in paragraph (1)—

18                  “(A) the aggregate amount of tax paid  
19                  under section 4475(b)(1) with respect to such  
20                  transfers, and

21                  “(B) the aggregate amount of tax remitted  
22                  under section 4475(b)(2) with respect to such  
23                  transfers.

24                  “(b) STATEMENT TO BE FURNISHED TO NAMED  
25                  PERSONS.—Every person required to make a return under

1 subsection (a) shall furnish, at such time as the Secretary  
2 may provide, to each person whose name is required to  
3 be set forth in such return a written statement showing—

4 “(1) the name and address of the information  
5 contact of the required reporting person, and

6 “(2) the information described in subsection  
7 (a)(1)(A) which relates to such person.

8 “(c) DEFINITIONS.—Any term used in this section  
9 which is also used in section 4475 shall have the meaning  
10 given such term in such section.”.

11 (2) PENALTIES.—Section 6724(d), as amended  
12 by the preceding provisions of this Act, is amend-  
13 ed—

14 (A) in paragraph (1)(B), by striking “or”  
15 at the end of clause (xxviii), by striking “and”  
16 at the end of clause (xxix) and inserting “or”,  
17 and by adding at the end the following new  
18 clause:

19 “(xxx) section 6050BB(a) (relating to  
20 returns relating to remittance transfers),  
21 and”, and

22 (B) in paragraph (2), by striking “or” at  
23 the end of subparagraph (NN), by striking the  
24 period at the end of subparagraph (OO) and in-

1           serting “, or”, and by inserting after subpara-  
2           graph (OO) the following new subparagraph:

3                   “(PP) section 6050BB(b) (relating to  
4           statements relating to remittance transfers).”.

5       (d) CONFORMING AMENDMENTS.—

6           (1) Section 6211(b)(4)(A) is amended by insert-  
7       ing “36C,” after “36B,”.

8           (2) Section 6213(g)(2), as amended by the pre-  
9       ceding provisions of this Act, is amended by striking  
10      “and” at the end of subparagraph (Z), by the strik-  
11      ing the period at the end of subparagraph (AA) and  
12      inserting “, and”, and by inserting after subpara-  
13      graph (AA) the following new subparagraph:

14                   “(BB) an omission of a correct social secu-  
15      rity number under section 36C(b) to be in-  
16      cluded on a return.”.

17           (3) Section 1324(b)(2) of title 31, United  
18      States Code, is amended by inserting “36C,” after  
19      “36B,”.

20           (4) The table of sections for subpart C of part  
21      IV of subchapter A of chapter 1 is amended by in-  
22      serting after the item relating to section 36B the fol-  
23      lowing new item:

        “Sec. 36C. Credit for excise tax on remittance transfers by individuals with  
            work-eligible social security numbers.”.

1           (5) The table of sections for subpart B of part  
2           III of subchapter A of chapter 61, as amended by  
3           the preceding provisions of this Act, is amended by  
4           adding at the end the following new item:

“Sec. 6050BB. Returns relating to remittance transfers.”.

5           (6) The table of subchapters for chapter 36 is  
6           amended by inserting after the item relating to sub-  
7           chapter B the following new item:

“SUBCHAPTER C—REMITTANCE TRANSFERS”.

8           (e) TREATMENT OF POSSESSIONS.—

9           (1) PAYMENTS TO POSSESSIONS.—

10           (A) MIRROR CODE POSSESSION.—The Sec-  
11           retary of the Treasury shall pay to each posses-  
12           sion of the United States which has a mirror  
13           code tax system amounts equal to the loss (if  
14           any) to that possession by reason of the amend-  
15           ments made by this section. Such amounts shall  
16           be determined by the Secretary of the Treasury  
17           based on information provided by the govern-  
18           ment of the respective possession.

19           (B) OTHER POSSESSIONS.—The Secretary  
20           of the Treasury shall pay to each possession of  
21           the United States which does not have a mirror  
22           code tax system amounts estimated by the Sec-  
23           retary of the Treasury as being equal to the ag-  
24           gregate benefits (if any) that would have been

1 provided to residents of such possession by rea-  
2 son of the amendments made by this section if  
3 a mirror code tax system had been in effect in  
4 such possession. The preceding sentence shall  
5 not apply unless the respective possession has a  
6 plan, which has been approved by the Secretary  
7 of the Treasury, under which such possession  
8 will promptly distribute such payments to its  
9 residents.

10 (2) COORDINATION WITH CREDIT ALLOWED  
11 AGAINST UNITED STATES INCOME TAXES.—No cred-  
12 it shall be allowed against United States income  
13 taxes under section 36C of the Internal Revenue  
14 Code of 1986 (as added by this section) to any per-  
15 son—

16 (A) to whom a credit is allowed against  
17 taxes imposed by the possession by reason of  
18 the amendments made by this section, or

19 (B) who is eligible for a payment under a  
20 plan described in paragraph (1)(B).

21 (3) DEFINITIONS AND SPECIAL RULES.—

22 (A) MIRROR CODE TAX SYSTEM.—For pur-  
23 poses of this subsection, the term “mirror code  
24 tax system” means, with respect to any posses-  
25 sion of the United States, the income tax sys-

1           tem of such possession if the income tax liabil-  
2           ity of the residents of such possession under  
3           such system is determined by reference to the  
4           income tax laws of the United States as if such  
5           possession were the United States.

6           (B) TREATMENT OF PAYMENTS.—For pur-  
7           poses of section 1324 of title 31, United States  
8           Code, the payments under this subsection shall  
9           be treated in the same manner as a refund due  
10          from a credit provision referred to in subsection  
11          (b)(2) of such section.

12       (f) EFFECTIVE DATES.—

13           (1) IN GENERAL.—Except as otherwise pro-  
14          vided in this subsection, the amendments made by  
15          this section shall apply to transfers made after De-  
16          cember 31, 2025.

17           (2) TAX CREDIT.—The amendments made by  
18          subsection (b), and paragraphs (1) through (4) of  
19          subsection (d), shall apply to taxable years ending  
20          after December 31, 2025.

1       **Subchapter B—Enhancing Tax Credit**  
2       **Guardrails and Other IRS Reforms**

3   **SEC. 70611. ENFORCEMENT PROVISIONS WITH RESPECT TO**  
4               **COVID-RELATED   EMPLOYEE   RETENTION**  
5               **CREDITS.**

6       (a) ASSESSABLE PENALTY FOR FAILURE TO COMPLY  
7 WITH DUE DILIGENCE REQUIREMENTS.—

8           (1) IN GENERAL.—Any COVID-ERTC pro-  
9 moter which provides aid, assistance, or advice with  
10 respect to any COVID-ERTC document and which  
11 fails to comply with due diligence requirements im-  
12 posed by the Secretary with respect to determining  
13 eligibility for, or the amount of, any credit or ad-  
14 vance payment of a credit under section 3134 of the  
15 Internal Revenue Code of 1986, shall pay a penalty  
16 of \$1,000 for each such failure.

17          (2) DUE DILIGENCE REQUIREMENTS.—The due  
18 diligence requirements referred to in paragraph (1)  
19 shall be similar to the due diligence requirements  
20 imposed under section 6695(g) of the Internal Rev-  
21 enue Code of 1986.

22          (3) RESTRICTION TO DOCUMENTS USED IN  
23 CONNECTION WITH RETURNS OR CLAIMS FOR RE-  
24 FUND.—Paragraph (1) shall not apply with respect  
25 to any COVID-ERTC document unless such docu-



1       ment constitutes, or relates to, a return or claim for  
2       refund.

3           (4) TREATMENT AS ASSESSABLE PENALTY,  
4       ETC.—For purposes of the Internal Revenue Code of  
5       1986, the penalty imposed under paragraph (1) shall  
6       be treated as a penalty which is imposed under sec-  
7       tion 6695(g) of such Code and assessed under sec-  
8       tion 6201 of such Code.

9           (5) SECRETARY.—For purposes of this sub-  
10       section, the term “Secretary” means the Secretary  
11       of the Treasury or the Secretary’s delegate.

12       (b) COVID-ERTC PROMOTER.—For purposes of  
13       this section—

14           (1) IN GENERAL.—The term “COVID-ERTC  
15       promoter” means, with respect to any COVID-  
16       ERTC document, any person which provides aid, as-  
17       sistance, or advice with respect to such document  
18       if—

19           (A) such person charges or receives a fee  
20       for such aid, assistance, or advice which is  
21       based on the amount of the refund or credit  
22       with respect to such document and, with respect  
23       to such person’s taxable year in which such per-  
24       son provided such assistance or the preceding  
25       taxable year, the aggregate of the gross receipts

1 of such person for aid, assistance, and advice  
2 with respect to all COVID-ERTC documents  
3 exceeds 20 percent of the gross receipts of such  
4 person for such taxable year, or

5 (B) with respect to such person's taxable  
6 year in which such person provided such assist-  
7 ance or the preceding taxable year—

8 (i) the aggregate of the gross receipts  
9 of such person for aid, assistance, and ad-  
10 vice with respect to all COVID-ERTC doc-  
11 uments exceeds 50 percent of the gross re-  
12 cepts of such person for such taxable year,  
13 or

14 (ii) both—

15 (I) such aggregate gross receipts  
16 exceed 20 percent of the gross re-  
17 cepts of such person for such taxable  
18 year, and

19 (II) the aggregate of the gross  
20 receipts of such person for aid, assist-  
21 ance, and advice with respect to all  
22 COVID-ERTC documents (deter-  
23 mined after application of paragraph  
24 (3)) exceeds \$500,000.

1           (2) EXCEPTION FOR CERTIFIED PROFESSIONAL  
2       EMPLOYER ORGANIZATIONS.—The term “COVID–  
3       ERTC promoter” shall not include a certified profes-  
4       sional employer organization (as defined in section  
5       7705 of the Internal Revenue Code of 1986).

6           (3) AGGREGATION RULE.—For purposes of  
7       paragraph (1), all persons treated as a single em-  
8       ployer under subsection (a) or (b) of section 52 of  
9       the Internal Revenue Code of 1986, or subsection  
10      (m) or (o) of section 414 of such Code, shall be  
11      treated as 1 person.

12          (4) SHORT TAXABLE YEARS.—In the case of  
13      any taxable year of less than 12 months, a person  
14      shall be treated as a COVID-ERTC promoter if such  
15      person is described in paragraph (1) either with re-  
16      spect to such taxable year or by treating any ref-  
17      erence to such taxable year as a reference to the cal-  
18      endar year in which such taxable year begins.

19          (c) COVID–ERTC DOCUMENT.—For purposes of  
20      this section, the term “COVID–ERTC document” means  
21      any return, affidavit, claim, or other document related to  
22      any credit or advance payment of a credit under section  
23      3134 of the Internal Revenue Code of 1986, including any  
24      document related to eligibility for, or the calculation or

1 determination of any amount directly related to, any such  
2 credit or advance payment.

3 (d) LIMITATION ON CREDITS AND REFUNDS.—Not-  
4 withstanding section 6511 of the Internal Revenue Code  
5 of 1986, no credit under section 3134 of the Internal Rev-  
6 enue Code of 1986 shall be allowed, and no refund with  
7 respect to any such credit shall be made, after the date  
8 of the enactment of this Act, unless a claim for such credit  
9 or refund was filed by the taxpayer on or before January  
10 31, 2024.

11 (e) EXTENSION OF LIMITATION ON ASSESSMENT.—  
12 Section 3134(l) is amended to read as follows:

13 “(l) EXTENSION OF LIMITATION ON ASSESSMENT.—

14 “(1) IN GENERAL.—Notwithstanding section  
15 6501, the limitation on the time period for the as-  
16 sessment of any amount attributable to a credit  
17 claimed under this section shall not expire before the  
18 date that is 6 years after the latest of—

19 “(A) the date on which the original return  
20 which includes the calendar quarter with re-  
21 spect to which such credit is determined is filed,

22 “(B) the date on which such return is  
23 treated as filed under section 6501(b)(2), or

24 “(C) the date on which the claim for credit  
25 or refund with respect to such credit is made.

1           “(2) DEDUCTION FOR WAGES TAKEN INTO AC-  
2           COUNT IN DETERMINING IMPROPERLY CLAIMED  
3           CREDIT.—

4           “(A) IN GENERAL.—Notwithstanding sec-  
5           tion 6511, in the case of an assessment attrib-  
6           utable to a credit claimed under this section,  
7           the limitation on the time period for credit or  
8           refund of any amount attributable to a deduc-  
9           tion for improperly claimed ERTC wages shall  
10          not expire before the time period for such as-  
11          sessment expires under paragraph (1).

12          “(B) IMPROPERLY CLAIMED ERTC  
13          WAGES.—For purposes of this paragraph, the  
14          term ‘improperly claimed ERTC wages’ means,  
15          with respect to an assessment attributable to a  
16          credit claimed under this section, the wages  
17          with respect to which a deduction would not  
18          have been allowed if the portion of the credit to  
19          which such assessment relates had been prop-  
20          erly claimed.”.

21          (f) AMENDMENT TO PENALTY FOR ERRONEOUS  
22          CLAIM FOR REFUND OR CREDIT.—Section 6676(a) is  
23          amended by striking “income tax” and inserting “income  
24          or employment tax”.

25          (g) EFFECTIVE DATES.—

1           (1) IN GENERAL.—The provisions of this sec-  
2           tion shall apply to aid, assistance, and advice pro-  
3           vided after the date of the enactment of this Act.

4           (2) LIMITATION ON CREDITS AND REFUNDS.—  
5           Subsection (d) shall apply to credits and refunds al-  
6           lowed or made after the date of the enactment of  
7           this Act.

8           (3) EXTENSION OF LIMITATION ON ASSESS-  
9           MENT.—The amendment made by subsection (e)  
10          shall apply to assessments made after the date of  
11          the enactment of this Act.

12          (4) AMENDMENT TO PENALTY FOR ERRONEOUS  
13          CLAIM FOR REFUND OR CREDIT.—The amendment  
14          made by subsection (f) shall apply to claims for  
15          credit or refund after the date of the enactment of  
16          this Act.

17          (h) REGULATIONS.—The Secretary (as defined in  
18          subsection (a)(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).

1 **SEC. 70612. SOCIAL SECURITY NUMBER REQUIREMENT FOR**  
2 **AMERICAN OPPORTUNITY AND LIFETIME**  
3 **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 an individual unless the individual  
11 includes 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   (other than paragraph (2)(B)(ii) thereof) shall apply  
15   to this section.”.

16       (c) OMISSION TREATED AS MATHEMATICAL OR  
17   CLERICAL ERROR.—Section 6213(g)(2)(J) is amended by  
18   striking “TIN” and inserting “social security number or  
19   employer identification number”.

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

23   **SEC. 70613. EARNED INCOME TAX CREDIT REFORMS.**

24       (a) EARNED INCOME TAX CREDIT CERTIFICATION  
25   PROGRAM.—



1 (1) ESTABLISHMENT OF PROGRAM.—

2 (A) IN GENERAL.—Chapter 77 is amended  
3 by adding at the end the following new section:

4 **“SEC. 7531. EARNED INCOME TAX CREDIT CERTIFICATION**  
5 **PROGRAM.**

6 “(a) IN GENERAL.—To avoid duplicative and other  
7 erroneous claims under section 32 with respect to a child  
8 of the taxpayer, for taxable years beginning after Decem-  
9 ber 31, 2027, the Secretary shall establish a program  
10 under which, upon the taxpayer’s application with respect  
11 to the child, the Secretary shall issue an EITC certificate  
12 for purposes of section 32 establishing such child’s status  
13 as a qualifying child of the taxpayer for a taxable 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 of the taxpayer for the taxable year.

23 “(2) TIME AND MANNER OF APPLICATION.—

24 Such application shall be made, and such informa-  
25 tion and supporting documentation shall be pro-

1 vided, at such time and in such manner as may be  
2 provided by the Secretary for purposes of this sec-  
3 tion (including, at the Secretary’s discretion, the es-  
4 tablishment of an online portal).

5 “(3) COMPETING CLAIMS.—In the case of more  
6 than 1 taxpayer making an application with respect  
7 to a child under the program for a taxable year be-  
8 ginning during a calendar year, the Secretary shall  
9 not issue an EITC certificate to any such taxpayer  
10 with respect to such child for such a taxable year  
11 unless the Secretary can establish such child, based  
12 on information and supporting documentation pro-  
13 vided under paragraph (1), as the qualifying child of  
14 only one such taxpayer for such taxable year.

15 “(c) TREATMENT OF CREDIT WITHOUT CERTIFI-  
16 CATION UNDER PROGRAM.—For taxable years beginning  
17 after December 31, 2027—

18 “(1) IN GENERAL.—In the case of a taxpayer  
19 who takes into account as a qualifying child under  
20 section 32 a child for whom an EITC certificate has  
21 not been issued for the taxable year to the tax-  
22 payer—

23 “(A) the Secretary shall not credit the por-  
24 tion of any overpayment for such taxable year  
25 that is attributable to the taxpayer taking into

1 account such child as a qualifying child, unless  
2 the taxpayer obtains, not later than the due  
3 date for filing the taxpayer's return for the tax-  
4 able year, an EITC certificate with respect to  
5 such child for such taxable year, and

6 “(B) if the taxpayer fails to so obtain an  
7 EITC certificate, such failure shall be treated—

8 “(i) as an omission of information re-  
9 quired by section 32 with respect to such  
10 child, and

11 “(ii) as arising out of a mathematical  
12 or clerical error and assessed according to  
13 section 6213(b).

14 “(2) TERMINATION OF CERTIFICATION.—In the  
15 case of a taxpayer who for a taxable year takes into  
16 account as a qualifying child under section 32 a  
17 child for whom an EITC certificate is terminated for  
18 such taxable year, such termination shall be treated  
19 in the same manner as a failure to obtain an EITC  
20 certificate under paragraph (1)(B).

21 “(d) TRANSITION RULES FOR TAXABLE YEARS BE-  
22 GINNING BEFORE 2028.—

23 “(1) IN GENERAL.—If for any taxable year be-  
24 ginning after December 31, 2023, and before Janu-  
25 ary 1, 2027, more than 1 taxpayer makes a claim

1       for credit under section 32 taking into account the  
2       same child as a qualifying child, then the Secretary  
3       shall send notice to each such taxpayer (by certified  
4       or registered mail to the last known address of the  
5       taxpayer) detailing the resultant treatment of such  
6       taxpayers under paragraph (2) with respect to such  
7       child for any subsequent taxable years beginning be-  
8       fore 2028.

9               “(2) SUBSEQUENT TAXABLE YEARS BEGINNING  
10       BEFORE 2028.—In the case of a child with respect to  
11       whom paragraph (1) applied by reason of claims for  
12       credit for a taxable year, for any subsequent taxable  
13       years beginning before January 1, 2028—

14               “(A) subject to subparagraph (B), the Sec-  
15       retary shall not credit the portion of any over-  
16       payment for the taxable year that is attrib-  
17       utable to a taxpayer taking into account such  
18       child as a qualifying child under section 32  
19       until the 15th day of October following the end  
20       of the taxable year, and

21               “(B) if more than one taxpayer makes a  
22       claim for such credit for the taxable year taking  
23       into account such child as a qualifying child, so  
24       taking such child into account shall be treat-  
25       ed—

1 “(i) as an omission of information re-  
2 quired by section 32 with respect to such  
3 child, and

4 “(ii) as arising out of a mathematical  
5 or clerical error and assessed according to  
6 section 6213(b)(1).

7 “(e) QUALIFYING CHILD.—For purposes of this sec-  
8 tion, the term ‘qualifying child’ has the meaning given  
9 such term under section 32(c)(3).

10 “(f) REBUTTAL OF TREATMENT.—Treatment under  
11 subsection (c) or (d)(2)(B) as having omitted information  
12 required by section 32 may be rebutted by providing such  
13 information and supporting documentation as satisfac-  
14 torily demonstrates the child is a qualifying child of the  
15 taxpayer for the taxable year.

16 “(g) RESTRICTIONS ON TAXPAYERS WHO IMPROP-  
17 ERLY USE PROGRAM.—

18 “(1) IN GENERAL.—A taxpayer shall not be  
19 permitted to apply for an EITC certificate under the  
20 program for any taxable year in the disallowance pe-  
21 riod.

22 “(2) DISALLOWANCE PERIOD.—For purposes of  
23 paragraph (1), the disallowance period is—

24 “(A) the period of 10 taxable years after  
25 the most recent taxable year for which there

1           was a penalty imposed under 6720D on the tax-  
2           payer, if such penalty was imposed due to fraud  
3           under section 6720D(b),

4                 “(B) the period of 2 taxable years after  
5           the most recent taxable year for which there  
6           was a penalty imposed under 6720D on the tax-  
7           payer, if—

8                 “(i) such penalty has been imposed on  
9           such taxpayer more than once, and

10                “(ii) no such instance was due to  
11           fraud, and

12                “(C) any disallowance period with respect  
13           to the taxpayer under section 32(k)(1).

14           “(h) REGULATIONS.—The Secretary shall prescribe  
15   such rules as may be necessary or appropriate to carry  
16   out the program and purposes of this section, including—

17                “(1) a process for establishing alternating tax-  
18           able year treatment of a child as a qualifying child  
19           under a custodial arrangement,

20                “(2) notwithstanding subsection (d)(2), a proc-  
21           ess for—

22                “(A) establishing the status of a child as  
23           a qualifying child of the taxpayer under section  
24           32 for taxable years to which such subsection  
25           applies, and

1                   “(B) allowing credit or refunds attrib-  
2                   utable to such status,

3                   “(3) a simplified process for re-certifying a  
4                   child as a qualifying child of the taxpayer for a tax-  
5                   able year, and

6                   “(4) a process for terminating EITC certifi-  
7                   cates in the case of competing claims with respect to  
8                   a child or in cases in which issuance of the certifi-  
9                   cate is determined by the Secretary to be erro-  
10                  neous.”.

11                  (B) CONFORMING AMENDMENT.—Section  
12                  32 is amended by adding at the end the fol-  
13                  lowing new subsection:

14                  “(o) EITC CERTIFICATE WITH RESPECT TO QUALI-  
15                  FYING CHILDREN.—For rules relating to EITC certifi-  
16                  cates with respect to qualifying children and duplicate  
17                  claims for the credit allowed under this section, see section  
18                  7531.”.

19                  (C) CLERICAL AMENDMENT.—The table of  
20                  sections for chapter 77 is amended by adding at  
21                  the end the following new item:

                  “Sec. 7531. Earned income tax credit certification program.”.

22                  (2) PENALTIES FOR IMPROPER USE OF EITC  
23                  CERTIFICATE PROGRAM.—

1 (A) IN GENERAL.—Part I of subchapter B  
2 of chapter 68 is amended by adding at the end  
3 the following new section:

4 **“SEC. 6720D. PENALTIES WITH RESPECT TO EITC CERTIFI-**  
5 **CATE PROGRAM.**

6 “(a) RECKLESS OR INTENTIONAL DISREGARD.—If—

7 “(1) any person makes a material misstatement  
8 or inaccurate representation in an application under  
9 section 7531 for an EITC certificate, and

10 “(2) such misstatement or representation was  
11 due to reckless or intentional disregard of rules and  
12 regulations (but not due to fraud),

13 such person shall pay a penalty of \$100 for each EITC  
14 certificate with respect to which such misstatement or rep-  
15 resentation was made.

16 “(b) FRAUD.—If a misstatement or representation  
17 described in subsection (a)(1) is due to fraud on the part  
18 of the person making such misstatement or representa-  
19 tion, in addition to any applicable criminal penalty, such  
20 person shall pay a penalty of \$500 for each EITC certifi-  
21 cate with respect to which such a misstatement or rep-  
22 resentation was made.”.

23 (B) CLERICAL AMENDMENT.—The table of  
24 sections for part I of subchapter B of chapter



1           68 is amended by adding at the end the fol-  
2           lowing new item:

“Sec. 6720D. Penalties with respect to EITC certificate program.”.

3           (3) EFFECTIVE DATE.—The amendments made  
4           by this subsection shall apply to taxable years begin-  
5           ning after December 31, 2024.

6           (b) TASK FORCE TO DESIGN A PRIVATE DATA  
7 BOUNCING SYSTEM FOR IMPROVEMENTS TO THE EARNED  
8 INCOME TAX CREDIT.—Out of any money in the Treasury  
9 not otherwise appropriated, there is hereby appropriated  
10 \$10,000,000 for the fiscal year ending on September 30,  
11 2026, for necessary expenses of the Department of the  
12 Treasury, to establish, within 90 days following the date  
13 of the enactment of this Act, a task force to provide to  
14 the Secretary of the Treasury a report on the following  
15 with respect to the administration of the earned income  
16 tax credit:

17           (1) Recommendations for improvement of the  
18           integrity of such administration.

19           (2) The potential use of third-party payroll and  
20           consumption datasets to verify income.

21           (3) The integration of automated databases to  
22           allow horizontal verification to reduce improper pay-  
23           ments, fraud, and abuse.

24           (c) INCREASED EARNED INCOME TAX CREDIT FOR  
25 PURPLE HEART RECIPIENTS WHOSE SOCIAL SECURITY

1 DISABILITY BENEFITS ARE TERMINATED BY REASON OF  
2 WORK ACTIVITY.—

3 (1) IN GENERAL.—Section 32, as amended by  
4 subsection (a), is further amended by adding at the  
5 end the following new subsection:

6 “(p) INCREASE IN CREDIT FOR PURPLE HEART RE-  
7 CIPIENTS WHOSE SOCIAL SECURITY DISABILITY BENE-  
8 FITS ARE TERMINATED BY REASON OF WORK ACTIV-  
9 ITY.—

10 “(1) INCREASE IN CREDIT.—

11 “(A) IN GENERAL.—In the case of a speci-  
12 fied Purple Heart recipient, the amount of the  
13 credit determined under subsection (a) for the  
14 taxable year (but for this subsection) shall be  
15 increased by the sum of the SSDI benefit sub-  
16 stitution amounts for qualified benefit termi-  
17 nation months with respect to such specified  
18 Purple Heart recipient during such taxable  
19 year.

20 “(B) APPLICATION TO RECIPIENTS WHO  
21 ARE NOT ELIGIBLE INDIVIDUALS.—In the case  
22 of a specified Purple Heart recipient who is not  
23 an eligible individual for the taxable year, sub-  
24 paragraph (A) shall be applied by treating the  
25 amount of the credit determined under sub-

1           section (a) for the taxable year (but for this  
2           section) as zero.

3           “(2) SPECIFIED PURPLE HEART RECIPIENT.—

4           For purposes of this subsection, the term ‘specified  
5           Purple Heart recipient’ means any individual—

6                   “(A) who received the Purple Heart,

7                   “(B) who received disability insurance ben-  
8           efit payments under section 223(a) of the So-  
9           cial Security Act, and

10                   “(C) with respect to whom such disability  
11           insurance benefit payments ceased to be pay-  
12           able by reason of section 223(e)(1) of such Act.

13           “(3) QUALIFIED BENEFIT TERMINATION  
14           MONTH.—For purposes of this subsection—

15                   “(A) IN GENERAL.—The term ‘qualified  
16           benefit termination month’ means, with respect  
17           to any specified Purple Heart recipient, each  
18           month during the 12-month period beginning  
19           with the first month with respect to which dis-  
20           ability insurance benefit payments described in  
21           paragraph (2)(B) ceased to be payable as de-  
22           scribed in paragraph (2)(C).

23                   “(B) EXCEPTION FOR MONTHS FOR WHICH  
24           BENEFITS ARE REINSTATED, ETC.—Such term  
25           shall not include any month if the specified

1 Purple Heart recipient receives any benefit pay-  
2 ment under section 223(a) of the Social Secu-  
3 rity Act with respect to such month.

4 “(4) SSDI BENEFIT SUBSTITUTION AMOUNT.—  
5 For purposes of this subsection, the term ‘SSDI  
6 benefit substitution amount’ means, with respect to  
7 any specified Purple Heart recipient for any quali-  
8 fied benefit termination month, an amount equal to  
9 the disability insurance benefit payment received by  
10 such recipient under section 223(a) of the Social Se-  
11 curity Act for the month immediately preceding the  
12 12-month period described in paragraph (3)(A).

13 “(5) CERTAIN EITC LIMITATIONS NOT APPLICA-  
14 BLE.—Subsections (a)(2), (d), (e), (f), and (i) shall  
15 not apply with respect to the increase under para-  
16 graph (1).”.

17 (2) EFFECTIVE DATE.—The amendment made  
18 by this subsection shall apply to taxable years end-  
19 ing after the date of the enactment of this Act.

20 (d) SOCIAL SECURITY NUMBER DEFINED.—

21 (1) IN GENERAL.—Section 32(m) is amended  
22 by striking “issued to an individual” and all that fol-  
23 lows and inserting “(as defined in section  
24 24(h)(7))”.

1           (2) EFFECTIVE DATE.—The amendment made  
2           by this subsection shall apply to taxable years begin-  
3           ning after December 31, 2024.

4   **SEC. 70614. TASK FORCE ON THE TERMINATION OF DIRECT**  
5           **FILE.**

6           (a) TERMINATION OF DIRECT FILE.—As soon as  
7           practicable, and not later than 30 days after the date of  
8           the enactment of this Act, the Secretary of the Treasury  
9           shall ensure that the Internal Revenue Service Direct File  
10          program has been terminated.

11          (b) APPROPRIATION FOR TASK FORCE TO DESIGN A  
12          BETTER PUBLIC-PRIVATE PARTNERSHIP BETWEEN THE  
13          IRS AND PRIVATE SECTOR TAX PREPARATION SERVICES  
14          TO PROVIDE FOR FREE TAX FILING TO REPLACE THE  
15          EXISTING “FREE FILE” PROGRAM AND ANY “DIRECT E-  
16          FILE” TAX RETURN SYSTEM.—Out of any money in the  
17          Treasury not otherwise appropriated, there is hereby ap-  
18          propriated for the fiscal year ending September 30, 2026,  
19          \$15,000,000, to remain available until September 30,  
20          2026, for necessary expenses of the Department of the  
21          Treasury to deliver to Congress, within 90 days following  
22          the date of the enactment of this Act, a report on—

23                (1) the cost of a new public-private partnership  
24                to provide for free tax filing for up to 70 percent of  
25                all taxpayers calculated by adjusted gross income to

1       replace free file and any direct e-file programs run  
2       by the Internal Revenue Service;

3           (2) taxpayer opinions and preferences regarding  
4       a taxpayer-funded, government-run service or a free  
5       service provided by the private sector;

6           (3) assessment of the feasibility of a new ap-  
7       proach, how to make the options consistent and sim-  
8       ple for taxpayers across all participating providers,  
9       and how to provide features to address taxpayer  
10      needs; and

11          (4) the cost (including options for differential  
12      coverage based on taxpayer adjusted gross income  
13      and return complexity) of developing and running a  
14      free direct e-file tax return system, including costs  
15      to build and administer each release.

16 **SEC. 70615. INCREASE IN PENALTIES FOR UNAUTHORIZED**  
17 **DISCLOSURES OF TAXPAYER INFORMATION.**

18       (a) IN GENERAL.—Paragraphs (1), (2), (3), (4), and  
19      (5) of section 7213(a) are each amended by striking  
20      “\$5,000, or imprisonment of not more than 5 years” and  
21      inserting “\$250,000, or imprisonment of not more than  
22      10 years”.

23       (b) DISCLOSURES OF RETURN INFORMATION OF  
24      MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLA-

1 TIONS.—Section 7213(a) is amended by adding at the end  
2 the following new paragraph:

3 “(6) DISCLOSURES OF RETURN INFORMATION  
4 OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE  
5 VIOLATIONS.—For purposes of this subsection, a  
6 separate violation occurs with respect to each tax-  
7 payer whose return or return information is dis-  
8 closed in violation of this subsection.”.

9 (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to disclosures made after the date  
11 of the enactment of this Act.

## 12 **Subtitle B—Health**

### 13 **CHAPTER 1—MEDICAID**

#### 14 **Subchapter A—Reducing Fraud and** 15 **Improving Enrollment Processes**

16 **SEC. 71101. PROHIBITION ON IMPLEMENTATION OF RULE**  
17 **RELATING TO ELIGIBILITY AND ENROLL-**  
18 **MENT IN MEDICARE SAVINGS PROGRAMS.**

19 With respect to the final rule published by the Cen-  
20 ters for Medicare & Medicaid Services on September 21,  
21 2023, and titled “Streamlining Medicaid; Medicare Sav-  
22 ings Program Eligibility Determination and Enrollment”  
23 (88 Fed. Reg. 65230), the Secretary of Health and  
24 Human Services shall not implement, administer, or en-

1 force the amendments made to the following sections of  
2 title 42, Code of Federal Regulations:

3 (1) Section 406.21(c).

4 (2) Section 435.4.

5 (3) Section 435.601.

6 (4) Section 435.909.

7 (5) Section 435.911.

8 (6) Section 435.952.

9 **SEC. 71102. PROHIBITION ON IMPLEMENTATION OF RULE**  
10 **RELATING TO ELIGIBILITY AND ENROLL-**  
11 **MENT FOR MEDICAID AND CHIP.**

12 With respect to the final rule published by the Cen-  
13 ters for Medicare & Medicaid Services on April 2, 2024,  
14 and titled “Medicaid Program; Streamlining the Medicaid,  
15 Children’s Health Insurance Program, and Basic Health  
16 Program Application, Eligibility Determination, Enroll-  
17 ment, and Renewal Processes” (89 Fed. Reg. 22780), the  
18 Secretary of Health and Human Services shall not imple-  
19 ment, administer, or enforce the amendments made to the  
20 following sections of title 42, Code of Federal Regulations:

21 (1) PART 431.—

22 (A) Section 431.10(c)(1)(i)(A)(2).

23 (B) Section 431.10(c)(1)(i)(A)(3).

24 (C) Section 431.17.

25 (D) Section 431.213(d).



- 1                   (2) PART 435.—
- 2                   (A) Section 435.222.
- 3                   (B) Section 435.223.
- 4                   (C) Section 435.407.
- 5                   (D) Section 435.601.
- 6                   (E) Section 435.831(g).
- 7                   (F) Section 435.907.
- 8                   (G) Section 435.911(c).
- 9                   (H) Section 435.912.
- 10                  (I) Section 435.914.
- 11                  (J) Section 435.916.
- 12                  (K) Section 435.919.
- 13                  (L) Section 435.940.
- 14                  (M) Section 435.952.
- 15                  (N) Section 435.1200.
- 16                  (3) PART 436.—Section 436.831(g).
- 17                  (4) PART 447.—Section 447.56(a)(1)(v).
- 18                  (5) PART 457.—
- 19                  (A) Section 457.65(d).
- 20                  (B) Section 457.340(d).
- 21                  (C) Section 457.340(f).
- 22                  (D) Section 457.344.
- 23                  (E) Section 457.348.
- 24                  (F) Section 457.350.
- 25                  (G) Section 457.480.

1 (H) Section 457.570.

2 (I) Section 457.805(b).

3 (J) Section 457.810(a).

4 (K) Section 457.960.

5 (L) Section 457.965.

6 (M) Section 457.1140(d)(4).

7 (N) Section 457.1170.

8 (O) Section 457.1180.

9 **SEC. 71103. REDUCING DUPLICATE ENROLLMENT UNDER**  
10 **THE MEDICAID AND CHIP PROGRAMS.**

11 (a) MEDICAID.—

12 (1) IN GENERAL.—Section 1902 of the Social  
13 Security Act (42 U.S.C. 1396a) is amended—

14 (A) in subsection (a)—

15 (i) in paragraph (86), by striking  
16 “and” at the end;

17 (ii) in paragraph (87), by striking the  
18 period and inserting “; and”; and

19 (iii) by inserting after paragraph (87)  
20 the following new paragraph:

21 “(88) provide—

22 “(A) beginning not later than January 1,  
23 2027, in the case of 1 of the 50 States and the  
24 District of Columbia, for a process to regularly  
25 obtain address information for individuals en-

1           rolled under such plan (or a waiver of such  
2           plan) in accordance with subsection (vv); and

3           “(B) beginning not later than October 1,  
4           2029—

5                   “(i) for the State to submit to the sys-  
6                   tem established by the Secretary under  
7                   subsection (uu), with respect to an indi-  
8                   vidual enrolled or seeking to enroll under  
9                   such plan, not less frequently than once  
10                  each month and during each determination  
11                  or redetermination of the eligibility of such  
12                  individual for medical assistance under  
13                  such plan (or waiver of such plan)—

14                   “(I) the social security number of  
15                   such individual, if such individual has  
16                   a social security number and is re-  
17                   quired to provide such number to en-  
18                   roll under such plan (or waiver); and

19                   “(II) such other information with  
20                   respect to such individual as deter-  
21                   mined necessary by the Secretary for  
22                   purposes of preventing individuals  
23                   from simultaneously being enrolled  
24                   under State plans (or waivers of such  
25                   plans) of multiple States;

1 “(ii) for the use of such system to  
2 prevent such simultaneous enrollment; and

3 “(iii) in the case that such system in-  
4 dicates that an individual enrolled or seek-  
5 ing to enroll under such plan (or waiver of  
6 such plan) is enrolled under a State plan  
7 (or waiver of such a plan) of another  
8 State, for the taking of appropriate action  
9 (as determined by the Secretary) to iden-  
10 tify whether such an individual resides in  
11 the State and disenroll an individual from  
12 the State plan of such State if such indi-  
13 vidual does not reside in such State (unless  
14 such individual meets such an exception as  
15 the Secretary may specify).”; and

16 (B) by adding at the end the following new  
17 subsections:

18 “(uu) PREVENTION OF ENROLLMENT UNDER MUL-  
19 TIPLE STATE PLANS.—

20 “(1) IN GENERAL.—Not later than October 1,  
21 2029, the Secretary shall establish a system to be  
22 utilized by the Secretary and States to prevent an  
23 individual from being simultaneously enrolled under  
24 the State plans (or waivers of such plans) of mul-  
25 tiple States. Such system shall—

1           “(A) provide for the receipt of information  
2           submitted by a State under subsection  
3           (a)(88)(B)(i); and

4           “(B) not less than once each month, trans-  
5           mit information to a State (or allow the Sec-  
6           retary to transmit information to a State) re-  
7           garding whether an individual enrolled or seek-  
8           ing to enroll under the State plan of such State  
9           (or waiver of such plan) is enrolled under the  
10          State plan (or waiver of such plan) of another  
11          State.

12          “(2) STANDARDS.—The Secretary shall estab-  
13          lish such standards as determined necessary by the  
14          Secretary to limit and protect information submitted  
15          under such system and ensure the privacy of such  
16          information, consistent with subsection (a)(7).

17          “(3) IMPLEMENTATION FUNDING.—There are  
18          appropriated to the Secretary, out of amounts in the  
19          Treasury not otherwise appropriated, in addition to  
20          amounts otherwise available—

21                 “(A) for fiscal year 2026, \$10,000,000 for  
22                 purposes of establishing the system and stand-  
23                 ards required under this subsection, to remain  
24                 available until expended; and

1                   “(B) for fiscal year 2029, \$20,000,000 for  
2                   purposes of maintaining such system, to remain  
3                   available until expended.

4           “(vv) PROCESS TO OBTAIN ENROLLEE ADDRESS IN-  
5 FORMATION.—

6                   “(1) IN GENERAL.—For purposes of subsection  
7                   (a)(88)(A), a process to regularly obtain address in-  
8                   formation for individuals enrolled under a State plan  
9                   (or a waiver of such plan) shall obtain address infor-  
10                  mation from reliable data sources described in para-  
11                  graph (2) and take such actions as the Secretary  
12                  shall specify with respect to any changes to such ad-  
13                  dress based on such information.

14                  “(2) RELIABLE DATA SOURCES DESCRIBED.—  
15                  For purposes of paragraph (1), the reliable data  
16                  sources described in this paragraph are the fol-  
17                  lowing:

18                         “(A) Mail returned to the State by the  
19                         United States Postal Service with a forwarding  
20                         address.

21                         “(B) The National Change of Address  
22                         Database maintained by the United States  
23                         Postal Service.

24                         “(C) A managed care entity (as defined in  
25                         section 1932(a)(1)(B)) or prepaid inpatient

1 health plan or prepaid ambulatory health plan  
2 (as such terms are defined in section  
3 1903(m)(9)(D)) that has a contract under the  
4 State plan if the address information is pro-  
5 vided to such entity or plan directly from, or  
6 verified by such entity or plan directly with,  
7 such individual.

8 “(D) Other data sources as identified by  
9 the State and approved by the Secretary.”.

10 (2) CONFORMING AMENDMENTS.—

11 (A) PARIS.—Section 1903(r)(3) of the  
12 Social Security Act (42 U.S.C. 1396b(r)(3)) is  
13 amended—

14 (i) by striking “In order” and insert-  
15 ing “(A) In order”;

16 (ii) by striking “through the Public”  
17 and inserting “through— “  
18 “(i) the Public”;

19 (iii) by striking the period at the end  
20 and inserting “; and “

21 “(ii) beginning October 1, 2029, the sys-  
22 tem established by the Secretary under section  
23 1902(uu).”; and

24 (iv) by adding at the end the following  
25 new subparagraph:

1           “(B) Beginning October 1, 2029, the Secretary  
2           may determine that a State is not required to have  
3           in operation an eligibility determination system  
4           which provides for data matching (for purposes of  
5           address verification under section 1902(vv)) through  
6           the system described in subparagraph (A)(i) to meet  
7           the requirements of this paragraph.”.

8                       (B) MANAGED CARE.—Section 1932 of the  
9           Social Security Act (42 U.S.C. 1396u–2) is  
10          amended by adding at the end the following  
11          new subsection:

12       “(j) TRANSMISSION OF ADDRESS INFORMATION.—  
13       Beginning January 1, 2027, each contract under a State  
14       plan with a managed care entity (as defined in section  
15       1932(a)(1)(B)) or with a prepaid inpatient health plan or  
16       prepaid ambulatory health plan (as such terms are defined  
17       in section 1903(m)(9)(D)), shall provide that such entity  
18       or plan shall promptly transmit to the State any address  
19       information for an individual enrolled with such entity or  
20       plan that is provided to such entity or plan directly from,  
21       or verified by such entity or plan directly with, such indi-  
22       vidual.”.

23       (b) CHIP.—



1           (1) IN GENERAL.—Section 2107(e)(1) of the  
2       Social Security Act (42 U.S.C. 1397gg(e)(1)) is  
3       amended—

4           (A) by redesignating subparagraphs (H)  
5       through (U) as subparagraphs (I) through (V),  
6       respectively; and

7           (B) by inserting after subparagraph (G)  
8       the following new subparagraph:

9           “(H) Section 1902(a)(88) (relating to ad-  
10       dress information for enrollees and prevention  
11       of simultaneous enrollments).”.

12          (2) MANAGED CARE.—Section 2103(f)(3) of the  
13       Social Security Act (42 U.S.C. 1397cc(f)(3)) is  
14       amended by striking “and (e)” and inserting “(e),  
15       and (j)”.

16   **SEC. 71104. ENSURING DECEASED INDIVIDUALS DO NOT**  
17       **REMAIN ENROLLED.**

18       Section 1902 of the Social Security Act (42 U.S.C.  
19   1396a), as amended by section 71103, is further amend-  
20   ed—

21          (1) in subsection (a)—

22           (A) in paragraph (87), by striking “; and”  
23       and inserting a semicolon;

24           (B) in paragraph (88), by striking the pe-  
25       riod at the end and inserting “; and”; and

1 (C) by inserting after paragraph (88) the  
2 following new paragraph:

3 “(89) provide that the State shall comply with  
4 the eligibility verification requirements under sub-  
5 section (ww), except that this paragraph shall apply  
6 only in the case of the 50 States and the District  
7 of Columbia.”; and

8 (2) by adding at the end the following new sub-  
9 section:

10 “(ww) VERIFICATION OF CERTAIN ELIGIBILITY CRI-  
11 TERIA.—

12 “(1) IN GENERAL.—For purposes of subsection  
13 (a)(89), the eligibility verification requirements, be-  
14 ginning January 1, 2028, are as follows:

15 “(A) QUARTERLY SCREENING TO VERIFY  
16 ENROLLEE STATUS.—The State shall, not less  
17 frequently than quarterly, review the Death  
18 Master File (as such term is defined in section  
19 203(d) of the Bipartisan Budget Act of 2013)  
20 or a successor system that provides such infor-  
21 mation needed to determine whether any indi-  
22 viduals enrolled for medical assistance under  
23 the State plan (or waiver of such plan) are de-  
24 ceased.

1                   “(B) DISENROLLMENT UNDER STATE  
2 PLAN.—If the State determines, based on infor-  
3 mation obtained from the Death Master File,  
4 that an individual enrolled for medical assist-  
5 ance under the State plan (or waiver of such  
6 plan) is deceased, the State shall—

7                   “(i) treat such information as factual  
8 information confirming the death of a ben-  
9 eficiary;

10                   “(ii) disenroll such individual from the  
11 State plan (or waiver of such plan) in ac-  
12 cordance with subsection (a)(3); and

13                   “(iii) discontinue any payments for  
14 medical assistance under this title made on  
15 behalf of such individual (other than pay-  
16 ments for any items or services furnished  
17 to such individual prior to the death of  
18 such individual).

19                   “(C) REINSTATEMENT OF COVERAGE IN  
20 THE EVENT OF ERROR.—If a State determines  
21 that an individual was misidentified as deceased  
22 based on information obtained from the Death  
23 Master File and was erroneously disenrolled  
24 from medical assistance under the State plan  
25 (or waiver of such plan) based on such

1 misidentification, the State shall immediately  
2 re-enroll such individual under the State plan  
3 (or waiver of such plan), retroactive to the date  
4 of such disenrollment.

5 “(2) RULE OF CONSTRUCTION.—Nothing under  
6 this subsection shall be construed to preclude the  
7 ability of a State to use other electronic data sources  
8 to timely identify potentially deceased beneficiaries,  
9 so long as the State is also in compliance with the  
10 requirements of this subsection (and all other re-  
11 quirements under this title relating to Medicaid eli-  
12 gibility determination and redetermination).”.

13 **SEC. 71105. ENSURING DECEASED PROVIDERS DO NOT RE-**  
14 **MAIN ENROLLED.**

15 Section 1902(kk)(1) of the Social Security Act (42  
16 U.S.C. 1396a(kk)(1)) is amended—

17 (1) by striking “The State” and inserting:

18 “(A) IN GENERAL.—The State”; and

19 (2) by adding at the end the following new sub-  
20 paragraph:

21 “(B) PROVIDER SCREENING AGAINST  
22 DEATH MASTER FILE.—Beginning January 1,  
23 2028, as part of the enrollment (or reenroll-  
24 ment or revalidation of enrollment) of a pro-  
25 vider or supplier under this title, and not less

1 frequently than quarterly during the period that  
2 such provider or supplier is so enrolled, the  
3 State conducts a check of the Death Master  
4 File (as such term is defined in section 203(d)  
5 of the Bipartisan Budget Act of 2013) to deter-  
6 mine whether such provider or supplier is de-  
7 ceased.”.

8 **SEC. 71106. PAYMENT REDUCTION RELATED TO CERTAIN**  
9 **ERRONEOUS EXCESS PAYMENTS UNDER MED-**  
10 **ICAID.**

11 (a) IN GENERAL.—Section 1903(u)(1) of the Social  
12 Security Act (42 U.S.C. 1396b(u)(1)) is amended—

13 (1) in subparagraph (A), by inserting “for any  
14 audits conducted by the Secretary” after “exceeds  
15 0.03”;

16 (2) in subparagraph (B)—

17 (A) by striking “The Secretary” and in-  
18 serting “(i) Subject to clause (ii), the Sec-  
19 retary”; and

20 (B) by adding at the end the following new  
21 clause:

22 “(ii) The amount waived under clause (i) for a  
23 fiscal year may not exceed an amount equal to the  
24 erroneous excess payments for medical assistance de-

1       scribed in subparagraph (D)(i)(II) made for such  
2       fiscal year.”.

3           (3) in subparagraph (C), by striking “he” in  
4       each place it appears and inserting “the Secretary”  
5       in each such place; and

6           (4) in subparagraph (D)(i)—

7               (A) in subclause (I), by striking “and” at  
8       the end;

9               (B) in subclause (II), by striking the pe-  
10       riod at the end and inserting “, or payments  
11       where insufficient information is available to  
12       confirm eligibility, and”; and

13           (C) by adding at the end the following new  
14       subclause:

15           “(III) payments (other than payments de-  
16       scribed in subclause (I)) for items and services fur-  
17       nished to an individual who is not eligible for med-  
18       ical assistance under the State plan (or a waiver of  
19       such plan) with respect to such items and services,  
20       or payments where insufficient information is avail-  
21       able to confirm eligibility.”.

22       (b) EFFECTIVE DATE.—The amendments made by  
23       subsection (a) shall apply beginning with respect to fiscal  
24       year 2030.

1 **SEC. 71107. ELIGIBILITY REDETERMINATIONS.**

2 (a) IN GENERAL.—Section 1902(e)(14) of the Social  
3 Security Act (42 U.S.C. 1396a(e)(14)) is amended by add-  
4 ing at the end the following new subparagraph:

5 “(L) FREQUENCY OF ELIGIBILITY REDE-  
6 TERMINATIONS FOR CERTAIN INDIVIDUALS.—

7 “(i) IN GENERAL.—Subject to clause  
8 (ii), with respect to redeterminations of eli-  
9 gibility for medical assistance under a  
10 State plan (or waiver of such plan) sched-  
11 uled on or after the first day of the first  
12 quarter that begins after December 31,  
13 2026, a State shall make such a redeter-  
14 mination once every 6 months for the fol-  
15 lowing individuals:

16 “(I) Individuals enrolled under  
17 subsection (a)(10)(A)(i)(VIII).

18 “(II) Individuals described in  
19 such subsection who are otherwise en-  
20 rolled under a waiver of such plan  
21 that provides coverage that is equiva-  
22 lent to minimum essential coverage  
23 (as described in section  
24 5000A(f)(1)(A) of the Internal Rev-  
25 enue Code of 1986 and determined in  
26 accordance with standards prescribed

1 by the Secretary in regulations) to all  
2 individuals described in subsection  
3 (a)(10)(A)(i)(VIII).

4 “(ii) EXEMPTION.—The requirements  
5 described in clause (i) shall not apply to  
6 any individual described in subsection  
7 (xx)(9)(A)(ii)(II).

8 “(iii) STATE DEFINED.—For purposes  
9 of this subparagraph, the term ‘State’  
10 means 1 of the 50 States or the District  
11 of Columbia.”.

12 (b) GUIDANCE.—Not later than 180 days after the  
13 date of enactment of this section, the Secretary of Health  
14 and Human Services, acting through the Administrator of  
15 the Centers for Medicare & Medicaid Services, shall issue  
16 guidance relating to the implementation of the amend-  
17 ments made by this section.

18 **SEC. 71108. REVISING HOME EQUITY LIMIT FOR DETER-**  
19 **MINING ELIGIBILITY FOR LONG-TERM CARE**  
20 **SERVICES UNDER THE MEDICAID PROGRAM.**

21 (a) REVISING HOME EQUITY LIMIT.—Section  
22 1917(f)(1) of the Social Security Act (42 U.S.C.  
23 1396p(f)(1)) is amended—

24 (1) in subparagraph (B)—



1 (A) by striking “A State” and inserting  
2 “(i) A State”;

3 (B) in clause (i), as inserted by subpara-  
4 graph (A)—

5 (i) by striking “‘\$500,000’” and in-  
6 serting “the amount specified in subpara-  
7 graph (A)”; and

8 (ii) by inserting “, in the case of an  
9 individual’s home that is located on a lot  
10 that is zoned for agricultural use,” after  
11 “apply subparagraph (A)”; and

12 (C) by adding at the end the following new  
13 clause:

14 “(ii) A State may elect, without regard to the  
15 requirements of section 1902(a)(1) (relating to  
16 statewideness) and section 1902(a)(10)(B) (relating  
17 to comparability), to apply subparagraph (A), in the  
18 case of an individual’s home that is not described in  
19 clause (i), by substituting for the amount specified  
20 in such subparagraph, an amount that exceeds such  
21 amount, but does not exceed \$1,000,000.”; and

22 (2) in subparagraph (C)—

23 (A) by inserting “(other than the amount  
24 specified in subparagraph (B)(ii) (relating to

1 certain non-agricultural homes))” after “speci-  
2 fied in this paragraph”; and

3 (B) by adding at the end the following new  
4 sentence: “In the case that application of the  
5 preceding sentence would result in a dollar  
6 amount (other than the amount specified in  
7 subparagraph (B)(i) (relating to certain agricul-  
8 tural homes)) exceeding \$1,000,000, such  
9 amount shall be deemed to be equal to  
10 \$1,000,000.”.

11 (b) CLARIFICATION.—Section 1902 of the Social Se-  
12 curity Act (42 U.S.C. 1396a) is amended—

13 (1) in subsection (r)(2), by adding at the end  
14 the following new subparagraph:

15 “(C) This paragraph shall not be construed as per-  
16 mitting a State to determine the eligibility of an individual  
17 for medical assistance with respect to nursing facility serv-  
18 ices or other long-term care services without application  
19 of the limit under section 1917(f)(1).”; and

20 (2) in subsection (e)(14)(D)(iv)—

21 (A) by striking “Subparagraphs” and in-  
22 serting

23 “(I) IN GENERAL.—Subpara-  
24 graphs”; and

1 (B) by adding at the end the following new  
2 subclause:

3 “(II) APPLICATION OF HOME EQ-  
4 UITY INTEREST LIMIT.—Section  
5 1917(f) shall apply for purposes of de-  
6 termining the eligibility of an indi-  
7 vidual for medical assistance with re-  
8 spect to nursing facility services or  
9 other long-term care services.”.

10 (c) EFFECTIVE DATE.—The amendments made by  
11 subsection (a) shall apply beginning on January 1, 2028.

12 **SEC. 71109. PROHIBITING FEDERAL FINANCIAL PARTICIPA-**  
13 **TION UNDER MEDICAID AND CHIP FOR INDIV-**  
14 **IDUALS WITHOUT VERIFIED CITIZENSHIP,**  
15 **NATIONALITY, OR SATISFACTORY IMMIGRA-**  
16 **TION STATUS.**

17 (a) IN GENERAL.—

18 (1) MEDICAID.—Section 1903(i)(22) of the So-  
19 cial Security Act (42 U.S.C. 1396b(i)(22)) is amend-  
20 ed—

21 (A) by adding “and” at the end;

22 (B) by striking “to amounts” and inserting  
23 “to— “

24 “(A) amounts”; and

1 (C) by adding at the end the following new  
2 subparagraph:

3 “(B) in the case that the State elects  
4 under section 1902(a)(46)(C) to provide for  
5 making medical assistance available to an indi-  
6 vidual during—

7 “(i) the period in which the individual  
8 is provided the reasonable opportunity to  
9 present satisfactory documentary evidence  
10 of citizenship or nationality under section  
11 1902(ee)(2)(C) or subsection (x)(4);

12 “(ii) the 90-day period described in  
13 section 1902(ee)(1)(B)(ii)(II); or

14 “(iii) the period in which the indi-  
15 vidual is provided the reasonable oppor-  
16 tunity to submit evidence indicating a sat-  
17 isfactory immigration status under section  
18 1137(d)(4),

19 amounts expended for such medical assistance,  
20 unless the citizenship or nationality of such in-  
21 dividual or the satisfactory immigration status  
22 of such individual (as applicable) is verified by  
23 the end of such period;”.

24 (2) CHIP.—Section 2107(e)(1)(O) of the Social  
25 Security Act (42 U.S.C. 1397gg(e)(1)(O)), as redes-

1       ignated by section 71103(b)(1)(A), is amended by  
2       striking “and (17)” and inserting “(17), and (22)”.

3       (b) ELIMINATING STATE REQUIREMENT TO PROVIDE  
4 MEDICAL ASSISTANCE DURING REASONABLE OPPOR-  
5 TUNITY PERIOD.—

6           (1) DOCUMENTARY EVIDENCE OF CITIZENSHIP  
7 OR NATIONALITY.—Section 1903(x)(4) of the Social  
8 Security Act (42 U.S.C. 1396b(x)) is amended—

9           (A) by striking “under clauses (i) and (ii)  
10 of section 1137(d)(4)(A)” and inserting “under  
11 section 1137(d)(4)”;

12           (B) by inserting “, except that the State  
13 shall not be required to make medical assist-  
14 ance available to such individual during the pe-  
15 riod in which such individual is provided such  
16 reasonable opportunity if the State has not  
17 elected the option under section  
18 1902(a)(46)(C)” before the period at the end.

19       (2) SOCIAL SECURITY DATA MATCH.—Section  
20 1902(ee) of the Social Security Act (42 U.S.C.  
21 1396a(ee)) is amended—

22           (A) in paragraph (1)(B)(ii)—

23           (i) in subclause (II), by striking “(and  
24 continues to provide the individual with  
25 medical assistance during such 90-day pe-

riod)” and inserting “and, if the State has elected the option under subsection (a)(46)(C), continues to provide the individual with medical assistance during such 90-day period”; and

(ii) in subclause (III), by inserting “, or denies eligibility for medical assistance under this title for such individual, as applicable” after “under this title”; and

(B) in paragraph (2)(C)—

(i) by striking “under clauses (i) and (ii) of section 1137(d)(4)(A)” and inserting “under section 1137(d)(4)”; and

(ii) by inserting “, except that the State shall not be required to make medical assistance available to such individual during the period in which such individual is provided such reasonable opportunity if the State has not elected the option under section 1902(a)(46)(C)” before the period at the end.

(3) INDIVIDUALS WITH SATISFACTORY IMMIGRATION STATUS.—Section 1137(d)(4) of the Social Security Act (42 U.S.C. 1320b–7(d)(4)) is amended—

1 (A) in subparagraph (A)(ii), by inserting  
2 “(except that such prohibition on delay, denial,  
3 reduction, or termination of eligibility for bene-  
4 fits under the Medicaid program under title  
5 XIX shall apply only if the State has elected  
6 the option under section 1902(a)(46)(C))” after  
7 “has been provided”; and

8 (B) in subparagraph (B)(ii), by inserting  
9 “(except that such prohibition on delay, denial,  
10 reduction, or termination of eligibility for bene-  
11 fits under the Medicaid program under title  
12 XIX shall apply only if the State has elected  
13 the option under section 1902(a)(46)(C))” after  
14 “status”.

15 (c) OPTION TO CONTINUE PROVIDING MEDICAL AS-  
16 SISTANCE DURING REASONABLE OPPORTUNITY PE-  
17 RIOD.—

18 (1) MEDICAID.—Section 1902(a)(46) of the So-  
19 cial Security Act (42 U.S.C. 1396a(a)(46)) is  
20 amended—

21 (A) in subparagraph (A), by striking  
22 “and” at the end;

23 (B) in subparagraph (B)(ii), by adding  
24 “and” at the end; and

1 (C) by inserting after subparagraph (B)(ii)  
2 the following new subparagraph:

3 “(C) provide, at the option of the State, for  
4 making medical assistance available—

5 “(i) to an individual described in subpara-  
6 graph (B) during the period in which such indi-  
7 vidual is provided the reasonable opportunity to  
8 present satisfactory documentary evidence of  
9 citizenship or nationality under subsection  
10 (ee)(2)(C) or section 1903(x)(4), or during the  
11 90-day period described in subsection  
12 (ee)(1)(B)(ii)(II); or

13 “(ii) to an individual who is not a citizen  
14 or national of the United States during the pe-  
15 riod in which such individual is provided the  
16 reasonable opportunity to submit evidence indi-  
17 cating a satisfactory immigration status under  
18 section 1137(d)(4);”.

19 (2) CHIP.—Section 2105(c)(9) of the Social  
20 Security Act (42 U.S.C. 1397ee(c)(9)) is amended  
21 by adding at the end the following new subpara-  
22 graph:

23 “(C) OPTION TO CONTINUE PROVIDING  
24 CHILD HEALTH ASSISTANCE DURING REASON-  
25 ABLE OPPORTUNITY PERIOD.—Section



1           1902(a)(46)(C) shall apply to States under this  
2           title in the same manner as it applies to a State  
3           under title XIX.”.

4           (d) EFFECTIVE DATE.—The amendments made by  
5           this section shall apply beginning on October 1, 2026.

6   **SEC. 71110. ALIEN MEDICAID ELIGIBILITY.**

7           (a) MEDICAID.—Section 1903(v) of the Social Secu-  
8           rity Act (42 U.S.C. 1396b(v)) is amended—

9                   (1) in paragraph (1), by striking “and (4)”and  
10           inserting “, (4), and (5)”; and

11                   (2) by adding at the end the following new  
12           paragraph:

13           “(5) Notwithstanding the preceding paragraphs of  
14           this subsection, beginning on October 1, 2026, except as  
15           provided in paragraphs (2) and (4), in no event shall pay-  
16           ment be made to a State under this section for medical  
17           assistance furnished to an individual unless such indi-  
18           vidual is—

19                   “(A) a resident of 1 of the 50 States, the Dis-  
20           trict of Columbia, or a territory of the United  
21           States; and

22                   “(B) either—

23                           “(i) a citizen or national of the United  
24           States;

1           “(ii) an alien lawfully admitted for perma-  
2           nent residence as an immigrant as defined by  
3           sections 101(a)(15) and 101(a)(20) of the Im-  
4           migration and Nationality Act, excluding,  
5           among others, alien visitors, tourists, diplomats,  
6           and students who enter the United States tem-  
7           porarily with no intention of abandoning their  
8           residence in a foreign country;

9           “(iii) an alien who is a citizen or national  
10          of the Republic of Cuba and who—

11           “(I) is the beneficiary of an approved  
12           petition under section 203(a) of the Immi-  
13           gration and Nationality Act;

14           “(II) meets all eligibility requirements  
15           for an immigrant visa but for whom such  
16           a visa is not immediately available;

17           “(III) is not otherwise inadmissible  
18           under section 212(a) of such Act; and

19           “(IV) is physically present in the  
20           United States pursuant to a grant of pa-  
21           role in furtherance of the commitment of  
22           the United States to the minimum level of  
23           annual legal migration of Cuban nationals  
24           to the United States specified in the U.S.-  
25           Cuba Joint Communiqué on Migration,

1 done at New York September 9, 1994, and  
2 reaffirmed in the Cuba-United States:  
3 Joint Statement on Normalization of Mi-  
4 gration, Building on the Agreement of  
5 September 9, 1994, done at New York  
6 May 2, 1995; or

7 “(iv) an individual who lawfully resides in  
8 the United States in accordance with a Com-  
9 pact of Free Association referred to in section  
10 402(b)(2)(G) of the Personal Responsibility and  
11 Work Opportunity Reconciliation Act of 1996.”.

12 (b) CHIP.—Section 2107(e)(1) of the Social Security  
13 Act, as amended by section 71103(b), is further amend-  
14 ed—

15 (1) by redesignating subparagraphs (R)  
16 through (V) as paragraphs (S) through (W), respec-  
17 tively; and

18 (2) by inserting after paragraph (Q) the fol-  
19 lowing:

20 “(R) Section 1903(v)(5) (relating to pay-  
21 ments for medical assistance furnished to  
22 aliens).”.

1 **SEC. 71111. EXPANSION FMAP FOR CERTAIN STATES PRO-**  
2 **VIDING PAYMENTS FOR HEALTH CARE FUR-**  
3 **NISHED TO CERTAIN INDIVIDUALS.**

4 Section 1905 of the Social Security Act (42 U.S.C.  
5 1396d) is amended—

6 (1) in subsection (y)—

7 (A) in paragraph (1)(E), by inserting “(or,  
8 for calendar quarters beginning on or after Oc-  
9 tober 1, 2027, in the case such State is a speci-  
10 fied State with respect to such calendar quar-  
11 ter, 80 percent)” after “thereafter”; and

12 (B) in paragraph (2), by adding at the end  
13 the following new subparagraph:

14 “(C) SPECIFIED STATE.—The term ‘speci-  
15 fied State’ means, with respect to a quarter, a  
16 State that—

17 “(i) provides any form of financial as-  
18 sistance from a State general fund during  
19 such quarter, in whole or in part, whether  
20 or not made under a State plan (or waiver  
21 of such plan) under this title or under an-  
22 other program established by the State, to  
23 or on behalf of an alien who is not a quali-  
24 fied alien and is not a child or pregnant  
25 woman who is lawfully residing in the  
26 United States and eligible for medical as-

1           sistance pursuant to section 1903(v)(4) or  
2           is eligible for child health assistance or  
3           pregnancy-related assistance pursuant to  
4           section 2107(e)(1)(P), for the purchasing  
5           of health insurance coverage (as defined in  
6           section 2791(b)(1) of the Public Health  
7           Service Act) for an alien who is not a  
8           qualified alien and is not such a child or  
9           pregnant woman; or

10           “(ii) provides any form of comprehen-  
11           sive health benefits coverage, except such  
12           coverage required by Federal law, during  
13           such quarter, whether or not under a State  
14           plan (or waiver of such plan) under this  
15           title or under another program established  
16           by the State, and regardless of the source  
17           of funding for such coverage, to an alien  
18           who is not a qualified alien and is not such  
19           a child or pregnant woman.

20           “(D) IMMIGRATION TERMS.—

21           “(i) ALIEN.—The term ‘alien’ has the  
22           meaning given such term in section 101(a)  
23           of the Immigration and Nationality Act.

24           “(ii) QUALIFIED ALIEN.—The term  
25           ‘qualified alien’ has the meaning given

1           such term in section 431 of the Personal  
2           Responsibility and Work Opportunity Rec-  
3           onciliation Act of 1996, except that the  
4           references to ‘(in the opinion of the agency  
5           providing such benefits)’ in subsection (c)  
6           of such section 431 shall be treated as ref-  
7           erences to ‘(in the opinion of the State in  
8           which such comprehensive health benefits  
9           coverage or such financial assistance is  
10          provided, as applicable)’.”; and

11          (2) in subsection (z)(2)—

12           (A) in subparagraph (A), by striking “for  
13          such year” and inserting “for such quarter”;  
14          and

15           (B) in subparagraph (B)(i)—

16           (i) in the matter preceding subclause  
17          (I), by striking “for a year” and inserting  
18          “for a calendar quarter in a year”; and

19           (ii) in subclause (II), by striking “for  
20          the year” and inserting “for the quarter  
21          for the State”.

22   **SEC. 71112. EXPANSION FMAP FOR EMERGENCY MEDICAID.**

23          Section 1905 of the Social Security Act (42 U.S.C.  
24   1396d) is amended by adding at the end the following new  
25   subsection:

1 “(kk) FMAP FOR TREATMENT OF AN EMERGENCY  
2 MEDICAL CONDITION.—Notwithstanding subsection (y)  
3 and (z), beginning on October 1, 2026, the Federal med-  
4 ical assistance percentage for payments for care and serv-  
5 ices described in paragraph (2) of subsection 1903(v) fur-  
6 nished to an alien described in paragraph (1) of such sub-  
7 section shall not exceed the Federal medical assistance  
8 percentage determined under subsection (b) for such  
9 State.”.

10 **Subchapter B—Preventing Wasteful**  
11 **Spending**

12 **SEC. 71113. PROHIBITION ON IMPLEMENTATION OF THE**  
13 **FINAL STAFFING RULE FOR NURSING FACILI-**  
14 **TIES.**

15 With respect to the final rule published by the Cen-  
16 ters for Medicare & Medicaid Services on May 10, 2024,  
17 and titled “Medicare and Medicaid Programs; Minimum  
18 Staffing Standards for Long-Term Care Facilities and  
19 Medicaid Institutional Payment Transparency Reporting”  
20 (89 Fed. Reg. 40876–41000), the Secretary of Health and  
21 Human Services shall not implement, administer, or en-  
22 force the amendments made to the following sections of  
23 title 42, Code of Federal Regulations:

24 (1) PART 438.—Section 438.72.

25 (2) PART 442.—Section 442.43.

1           (3) PART 483.—

2                   (A) Section 483.5.

3                   (B) Section 483.10.

4                   (C) Section 483.15.

5                   (D) Section 483.35.

6                   (E) Section 483.40.

7                   (F) Section 483.45.

8                   (G) Section 483.55.

9                   (H) Section 483.60.

10                  (I) Section 483.65.

11                  (J) Section 483.71.

12                  (K) Section 483.75.

13                  (L) Section 483.80.

14                  (M) Section 483.95.

15   **SEC. 71114. REDUCING STATE MEDICAID COSTS.**

16           (a) IN GENERAL.—Section 1902(a)(34) of the Social  
17   Security Act (42 U.S.C. 1396a(a)(34)) is amended to read  
18   as follows:

19                   “(34) provide that in the case of any individual  
20   who has been determined to be eligible for medical  
21   assistance under the plan and—

22                           “(A) is enrolled under paragraph  
23                   (10)(A)(i)(VIII), such assistance will be made  
24                   available to the individual for care and services  
25                   included under the plan and furnished in or



1           after the month before the month in which the  
2           individual made application (or application was  
3           made on the individual's behalf in the case of  
4           a deceased individual) for such assistance if  
5           such individual was (or upon application would  
6           have been) eligible for such assistance at the  
7           time such care and services were furnished; or  
8           “(B) is not described in subparagraph (A),  
9           such assistance will be made available to the in-  
10          dividual for care and services included under  
11          the plan and furnished in or after the second  
12          month before the month in which the individual  
13          made application (or application was made on  
14          the individual's behalf in the case of a deceased  
15          individual) for such assistance if such individual  
16          was (or upon application would have been) eligi-  
17          ble for such assistance at the time such care  
18          and services were furnished;”.

19          (b) DEFINITION OF MEDICAL ASSISTANCE.—Section  
20   1905(a) of the Social Security Act (42 U.S.C. 1396d(a))  
21   is amended by striking “in or after the third month before  
22   the month in which the recipient makes application for  
23   assistance” and inserting “, with respect to an individual  
24   described in section 1902(a)(34)(A), in or after the month  
25   before the month in which the recipient makes application

1 for assistance, and with respect to an individual described  
2 in section 1902(a)(34)(B), in or after the second month  
3 before the month in which the recipient makes application  
4 for assistance”.

5 (c) CHIP.—Section 2102(b)(1)(B) of the Social Se-  
6 curity Act (42 U.S.C. 1397bb(b)(1)(B)) is amended—

7 (1) in clause (iv), by striking “and” at the end;

8 (2) in clause (v), by striking the period and in-  
9 serting “; and”; and

10 (3) by adding at the end the following new  
11 clause:

12 “(vi) shall, in the case that the State  
13 elects to provide child health or pregnancy-  
14 related assistance to an individual for any  
15 period prior to the month in which the in-  
16 dividual made application for such assist-  
17 ance (or application was made on behalf of  
18 the individual), provide that such assist-  
19 ance is not made available to such indi-  
20 vidual for items and services included  
21 under the State child health plan (or waiv-  
22 er of such plan) that are furnished before  
23 the second month preceding the month in  
24 which such individual made application (or

1 application was made on behalf of such in-  
2 dividual) for assistance.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to medical assistance, child health  
5 assistance, and pregnancy-related assistance with respect  
6 to individuals whose eligibility for such medical assistance,  
7 child health assistance, or pregnancy-related assistance is  
8 based on an application made on or after the first day  
9 of the first quarter that begins after December 31, 2026.

10 **SEC. 71115. ENSURING ACCURATE PAYMENTS TO PHAR-**  
11 **MACIES UNDER MEDICAID.**

12 (a) **IN GENERAL.**—Section 1927(f) of the Social Se-  
13 curity Act (42 U.S.C. 1396r–8(f)) is amended—

14 (1) in paragraph (1)—

15 (A) in the heading, by striking “SURVEY  
16 OF RETAIL PRICES” and inserting “DETER-  
17 MINING PHARMACY ACTUAL ACQUISITION  
18 COSTS”;

19 (B) in the matter preceding subparagraph  
20 (A), by inserting “The Secretary shall conduct  
21 a survey of retail community pharmacy drug  
22 prices and applicable non-retail pharmacy drug  
23 prices to determine national average drug ac-  
24 quisition cost benchmarks (as such term is de-  
25 fined by the Secretary) as follows.”;

1 (C) in subparagraph (A)—

2 (i) in clause (i)—

3 (I) by striking “with respect to a  
4 retail community pharmacy” and in-  
5 serting “with respect to retail commu-  
6 nity pharmacies”;

7 (II) by striking “on a monthly  
8 basis”;

9 (III) by inserting “of the national  
10 average drug acquisition cost” before  
11 “covered outpatient drugs”;

12 (IV) by striking “discounts and  
13 rebates” each place it appears and in-  
14 serting “discounts, rebates, and other  
15 price concessions”; and

16 (V) by inserting “based on a  
17 monthly survey of such pharmacies”  
18 after “available”;

19 (ii) by redesignating clause (ii) as  
20 clause (iii); and

21 (iii) by inserting after clause (i) the  
22 following new clause:

23 “(ii) with respect to applicable non-re-  
24 tail pharmacies—

1                   “(I) the determination of survey  
2                   prices, separate from the survey prices  
3                   described in clause (i), of the non-re-  
4                   tail national average drug acquisition  
5                   cost for covered outpatient drugs that  
6                   represent a nationwide average of con-  
7                   sumer purchase prices for such drugs,  
8                   net of all discounts, rebates, and other  
9                   price concessions (to the extent any  
10                  information with respect to such dis-  
11                  counts, rebates, and other price con-  
12                  cessions is available) based on a  
13                  monthly survey of such pharmacies;  
14                  and

15                  “(II) at the discretion of the Sec-  
16                  retary, for each type of applicable  
17                  non-retail pharmacy, the determina-  
18                  tion of survey prices, separate from  
19                  the survey prices described in clause  
20                  (i) or subclause (I) of this clause, of  
21                  the national average drug acquisition  
22                  cost for such type of pharmacy for  
23                  covered outpatient drugs that rep-  
24                  resent a nationwide average of con-  
25                  sumer purchase prices for such drugs,

1 net of all discounts, rebates, and other  
2 price concessions (to the extent any  
3 information with respect to such dis-  
4 counts, rebates, and other price con-  
5 cessions is available) based on a  
6 monthly survey of such pharmacies;  
7 and”;

8 (D) in subparagraph (B), by striking “sub-  
9 paragraph (A)(ii)” and inserting “subparagraph  
10 (A)(iii)”;

11 (E) in subparagraph (D)—

12 (i) in clause (ii), by striking “retail”;  
13 and

14 (ii) by amending clause (iii) to read as  
15 follows:

16 “(iii) The vendor must differentiate,  
17 in collecting and reporting survey data, for  
18 all cost information collected, whether a  
19 pharmacy is a retail community pharmacy  
20 or an applicable non-retail pharmacy, in-  
21 cluding whether such pharmacy is an affil-  
22 iate (as defined in subsection (k)(13)),  
23 and, in the case of an applicable non-retail  
24 pharmacy, which type of applicable non-re-  
25 tail pharmacy it is using the relevant phar-

1 macy type indicators included in the guid-  
2 ance required by subsection (d)(2) of sec-  
3 tion 44123 of the Act titled ‘An Act to  
4 provide for reconciliation pursuant to title  
5 II of H. Con. Res. 14’.”; and

6 (F) by adding at the end the following new  
7 subparagraphs:

8 “(F) SURVEY REPORTING.—In order to  
9 meet the requirement of section 1902(a)(54), a  
10 State shall require that any retail community  
11 pharmacy or applicable non-retail pharmacy in  
12 the State that receives any payment, reimburse-  
13 ment, administrative fee, discount, rebate, or  
14 other price concession related to the dispensing  
15 of covered outpatient drugs to individuals re-  
16 ceiving benefits under this title, regardless of  
17 whether such payment, reimbursement, admin-  
18 istrative fee, discount, rebate, or other price  
19 concession is received from the State or a man-  
20 aged care entity or other specified entity (as  
21 such terms are defined in section  
22 1903(m)(9)(D)) directly or from a pharmacy  
23 benefit manager or another entity that has a  
24 contract with the State or a managed care enti-  
25 ty or other specified entity (as so defined), shall

1           respond to surveys conducted under this para-  
2           graph.

3           “(G) SURVEY INFORMATION.—Information  
4           on national drug acquisition prices obtained  
5           under this paragraph shall be made publicly  
6           available in a form and manner to be deter-  
7           mined by the Secretary and shall include at  
8           least the following:

9                   “(i) The monthly response rate to the  
10                  survey including a list of pharmacies not in  
11                  compliance with subparagraph (F).

12                  “(ii) The sampling methodology and  
13                  number of pharmacies sampled monthly.

14                  “(iii) Information on price concessions  
15                  to pharmacies, including discounts, re-  
16                  bates, and other price concessions, to the  
17                  extent that such information may be pub-  
18                  licly released and has been collected by the  
19                  Secretary as part of the survey.

20           “(H) PENALTIES.—

21                   “(i) IN GENERAL.—Subject to clauses  
22                  (ii), (iii), and (iv), the Secretary shall en-  
23                  force the provisions of this paragraph with  
24                  respect to a pharmacy through the estab-  
25                  lishment of civil money penalties applicable



1 to a retail community pharmacy or an ap-  
2 plicable non-retail pharmacy.

3 “(ii) BASIS FOR PENALTIES.—The  
4 Secretary shall impose a civil money pen-  
5 alty established under this subparagraph  
6 on a retail community pharmacy or appli-  
7 cable non-retail pharmacy if—

8 “(I) the retail pharmacy or appli-  
9 cable non-retail pharmacy refuses or  
10 otherwise fails to respond to a request  
11 for information about prices in con-  
12 nection with a survey under this sub-  
13 section;

14 “(II) knowingly provides false in-  
15 formation in response to such a sur-  
16 vey; or

17 “(III) otherwise fails to comply  
18 with the requirements established  
19 under this paragraph.

20 “(iii) PARAMETERS FOR PEN-  
21 ALTIES.—

22 “(I) IN GENERAL.—A civil money  
23 penalty established under this sub-  
24 paragraph may be assessed with re-  
25 spect to each violation, and with re-

1                   spect to each non-compliant retail  
2                   community pharmacy (including a  
3                   pharmacy that is part of a chain) or  
4                   non-compliant applicable non-retail  
5                   pharmacy (including a pharmacy that  
6                   is part of a chain), in an amount not  
7                   to exceed \$100,000 for each such vio-  
8                   lation.

9                   “(II) CONSIDERATIONS.—In de-  
10                  termining the amount of a civil money  
11                  penalty imposed under this subpara-  
12                  graph, the Secretary may consider the  
13                  size, business structure, and type of  
14                  pharmacy involved, as well as the type  
15                  of violation and other relevant factors,  
16                  as determined appropriate by the Sec-  
17                  retary.

18                  “(iv) RULE OF APPLICATION.—The  
19                  provisions of section 1128A (other than  
20                  subsections (a) and (b)) shall apply to a  
21                  civil money penalty under this subpara-  
22                  graph in the same manner as such provi-  
23                  sions apply to a civil money penalty or pro-  
24                  ceeding under section 1128A(a).

1           “(I) LIMITATION ON USE OF APPLICABLE  
2           NON-RETAIL PHARMACY PRICING INFORMA-  
3           TION.—No State shall use pricing information  
4           reported by applicable non-retail pharmacies  
5           under subparagraph (A)(ii) to develop or inform  
6           payment methodologies for retail community  
7           pharmacies.

8           “(J) APPLICATION TO STATES AND TERRI-  
9           TORIES.—The requirements of this paragraph  
10          shall only apply with respect to a retail commu-  
11          nity pharmacy or applicable non-retail phar-  
12          macy located in any 1 of the 50 States, the Dis-  
13          trict of Columbia, or any territory that has in  
14          effect a rebate agreement described in sub-  
15          section (b).”;

16          (2) in paragraph (2)—

17                (A) in subparagraph (A), by inserting “,  
18                including payment rates and methodologies for  
19                determining ingredient cost reimbursement  
20                under managed care entities or other specified  
21                entities (as such terms are defined in section  
22                1903(m)(9)(D)),” after “under this title”; and

23                (B) in subparagraph (B), by inserting  
24                “and the basis for such dispensing fees” before  
25                the semicolon;

1           (3) by redesignating paragraph (4) as para-  
2       graph (5);

3           (4) by inserting after paragraph (3) the fol-  
4       lowing new paragraph:

5           “(4) OVERSIGHT.—

6                   “(A) IN GENERAL.—The Inspector General  
7       of the Department of Health and Human Serv-  
8       ices shall conduct periodic studies of the survey  
9       data reported under this subsection, as appro-  
10      priate, including with respect to substantial  
11      variations in acquisition costs or other applica-  
12      ble costs, as well as with respect to how internal  
13      transfer prices and related party transactions  
14      may influence the costs reported by pharmacies  
15      that are affiliates (as defined in subsection  
16      (k)(13)) or are owned by, controlled by, or re-  
17      lated under a common ownership structure with  
18      a wholesaler, distributor, or other entity that  
19      acquires covered outpatient drugs relative to  
20      costs reported by pharmacies not affiliated with  
21      such entities. The Inspector General shall pro-  
22      vide periodic updates to Congress on the results  
23      of such studies, as appropriate, in a manner  
24      that does not disclose trade secrets or other  
25      proprietary information.

1           “(B) APPROPRIATION.—There is appro-  
2           priated to the Inspector General of the Depart-  
3           ment of Health and Human Services, out of  
4           any money in the Treasury not otherwise ap-  
5           propriated, \$5,000,000 for fiscal year 2026, to  
6           remain available until expended, to carry out  
7           this paragraph.”; and

8           (5) in paragraph (5), as so redesignated—

9           (A) by inserting “, and \$8,000,000 for  
10          each of fiscal years 2026 through 2033,” after  
11          “2010”; and

12          (B) by inserting “Funds appropriated  
13          under this paragraph for each of fiscal years  
14          2026 through 2033 shall remain available until  
15          expended.” after the period.

16          (b) DEFINITIONS.—Section 1927(k) of the Social Se-  
17          curity Act (42 U.S.C. 1396r–8(k)) is amended—

18               (1) in the matter preceding paragraph (1), by  
19               striking “In the section” and inserting “In this sec-  
20               tion”; and

21               (2) by adding at the end the following new  
22               paragraphs:

23               “(12) APPLICABLE NON-RETAIL PHARMACY.—  
24               The term ‘applicable non-retail pharmacy’ means a  
25               pharmacy that is licensed as a pharmacy by the

1 State and that is not a retail community pharmacy,  
2 including a pharmacy that dispenses prescription  
3 medications to patients primarily through mail and  
4 specialty pharmacies. Such term does not include  
5 nursing home pharmacies, long-term care facility  
6 pharmacies, hospital pharmacies, clinics, charitable  
7 or not-for-profit pharmacies, government phar-  
8 macies, or low dispensing pharmacies (as defined by  
9 the Secretary).

10 “(13) AFFILIATE.—The term ‘affiliate’ means  
11 any entity that is owned by, controlled by, or related  
12 under a common ownership structure with a phar-  
13 macy benefit manager or a managed care entity or  
14 other specified entity (as such terms are defined in  
15 section 1903(m)(9)(D)).”.

16 (c) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Subject to paragraph (2),  
18 the amendments made by this section shall apply be-  
19 ginning on the first day of the first quarter that be-  
20 gins on or after the date that is 9 months after the  
21 date of enactment of this section.

22 (2) DELAYED APPLICATION TO APPLICABLE  
23 NON-RETAIL PHARMACIES.—The pharmacy survey  
24 requirements established by the amendments to sec-  
25 tion 1927(f) of the Social Security Act (42 U.S.C.

1       1396r–8(f)) made by this section shall apply to re-  
2       tail community pharmacies beginning on the effec-  
3       tive date described in paragraph (1), but shall not  
4       apply to applicable non-retail pharmacies until the  
5       first day of the first quarter that begins on or after  
6       the date that is 18 months after the date of enact-  
7       ment of this section.

8       (d) IDENTIFICATION OF APPLICABLE NON-RETAIL  
9       PHARMACIES.—

10           (1) IN GENERAL.—Not later than January 1,  
11       2027, the Secretary of Health and Human Services  
12       shall publish guidance specifying pharmacies that  
13       meet the definition of applicable non-retail phar-  
14       macies (as such term is defined in subsection  
15       (k)(12) of section 1927 of the Social Security Act  
16       (42 U.S.C. 1396r–8), as added by subsection (b)),  
17       and that will be subject to the survey requirements  
18       under subsection (f)(1) of such section, as amended  
19       by subsection (a).

20           (2) INCLUSION OF PHARMACY TYPE INDICA-  
21       TORS.—The guidance published under paragraph (1)  
22       shall include pharmacy type indicators to distinguish  
23       between different types of applicable non-retail phar-  
24       macies, such as pharmacies that dispense prescrip-  
25       tions primarily through the mail and pharmacies

1       that dispense prescriptions that require special han-  
2       dling or distribution. An applicable non-retail phar-  
3       macy may be identified through multiple pharmacy  
4       type indicators.

5       (e) IMPLEMENTATION.—Implementation of the  
6       amendments made by this section shall be exempt from  
7       the requirements of section 553 of title 5, United States  
8       Code.

9       **SEC. 71116. SPREAD PRICING IN MEDICAID.**

10       (a) IN GENERAL.—Section 1927 of the Social Secu-  
11       rity Act (42 U.S.C. 1396r–8) is amended—

12               (1) in subsection (e), by adding at the end the  
13       following new paragraph:

14               “(6) TRANSPARENT PRESCRIPTION DRUG PASS-  
15       THROUGH PRICING REQUIRED.—

16               “(A) IN GENERAL.—A contract between  
17       the State and a pharmacy benefit manager (re-  
18       ferred to in this paragraph as a ‘PBM’), or a  
19       contract between the State and a managed care  
20       entity or other specified entity (as such terms  
21       are defined in section 1903(m)(9)(D) and col-  
22       lectively referred to in this paragraph as the  
23       ‘entity’) that includes provisions making the en-  
24       tity responsible for coverage of covered out-  
25       patient drugs dispensed to individuals enrolled



1 with the entity, shall require that payment for  
2 such drugs and related administrative services  
3 (as applicable), including payments made by a  
4 PBM on behalf of the State or entity, is based  
5 on a transparent prescription drug pass-  
6 through pricing model under which—

7 “(i) any payment made by the entity  
8 or the PBM (as applicable) for such a  
9 drug—

10 “(I) is limited to—

11 “(aa) ingredient cost; and

12 “(bb) a professional dis-  
13 pensing fee that is not less than  
14 the professional dispensing fee  
15 that the State would pay if the  
16 State were making the payment  
17 directly in accordance with the  
18 State plan;

19 “(II) is passed through in its en-  
20 tirety (except as reduced under Fed-  
21 eral or State laws and regulations in  
22 response to instances of waste, fraud,  
23 or abuse) by the entity or PBM to the  
24 pharmacy or provider that dispenses  
25 the drug; and

1                   “(III) is made in a manner that  
2                   is consistent with sections 447.502,  
3                   447.512, 447.514, and 447.518 of  
4                   title 42, Code of Federal Regulations  
5                   as if such requirements applied di-  
6                   rectly to the entity or the PBM, ex-  
7                   cept that any payment by the entity  
8                   or the PBM for the ingredient cost of  
9                   such drug purchased by a covered en-  
10                  tity (as defined in subsection  
11                  (a)(5)(B)) may exceed the actual ac-  
12                  quisition cost (as defined in 447.502  
13                  of title 42, Code of Federal Regula-  
14                  tions) for such drug if—

15                         “(aa) such drug was subject  
16                         to an agreement under section  
17                         340B of the Public Health Serv-  
18                         ice Act;

19                         “(bb) such payment for the  
20                         ingredient cost of such drug does  
21                         not exceed the maximum pay-  
22                         ment that would have been made  
23                         by the entity or the PBM for the  
24                         ingredient cost of such drug if  
25                         such drug had not been pur-

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1                   chased by such covered entity;  
2                   and

3                   “(cc) such covered entity re-  
4                   ports to the Secretary (in a form  
5                   and manner specified by the Sec-  
6                   retary), on an annual basis and  
7                   with respect to payments for the  
8                   ingredient costs of such drugs so  
9                   purchased by such covered entity  
10                  that are in excess of the actual  
11                  acquisition costs for such drugs,  
12                  the aggregate amount of such ex-  
13                  cess;

14                  “(ii) payment to the entity or the  
15                  PBM (as applicable) for administrative  
16                  services performed by the entity or PBM is  
17                  limited to an administrative fee that re-  
18                  flects the fair market value (as defined by  
19                  the Secretary) of such services;

20                  “(iii) the entity or the PBM (as appli-  
21                  cable) makes available to the State, and  
22                  the Secretary upon request in a form and  
23                  manner specified by the Secretary, all costs  
24                  and payments related to covered outpatient  
25                  drugs and accompanying administrative

1 services (as described in clause (ii)) in-  
2 curred, received, or made by the entity or  
3 the PBM, broken down (as specified by the  
4 Secretary), to the extent such costs and  
5 payments are attributable to an individual  
6 covered outpatient drug, by each such  
7 drug, including any ingredient costs, pro-  
8 fessional dispensing fees, administrative  
9 fees (as described in clause (ii)), post-sale  
10 and post-invoice fees, discounts, or related  
11 adjustments such as direct and indirect re-  
12 muneration fees, and any and all other re-  
13 muneration, as defined by the Secretary;  
14 and

15 “(iv) any form of spread pricing  
16 whereby any amount charged or claimed by  
17 the entity or the PBM (as applicable) that  
18 exceeds the amount paid to the pharmacies  
19 or providers on behalf of the State or enti-  
20 ty, including any post-sale or post-invoice  
21 fees, discounts, or related adjustments  
22 such as direct and indirect remuneration  
23 fees or assessments, as defined by the Sec-  
24 retary, (after allowing for an administra-  
25 tive fee as described in clause (ii)) is not

1           allowable for purposes of claiming Federal  
2           matching payments under this title.

3           “(B) PUBLICATION OF INFORMATION.—

4           The Secretary shall publish, not less frequently  
5           than on an annual basis and in a manner that  
6           does not disclose the identity of a particular  
7           covered entity or organization, information re-  
8           ceived by the Secretary pursuant to subpara-  
9           graph (A)(iii)(III) that is broken out by State  
10          and by each of the following categories of cov-  
11          ered entity within each such State:

12                   “(i) Covered entities described in sub-  
13                   paragraph (A) of section 340B(a)(4) of the  
14                   Public Health Service Act.

15                   “(ii) Covered entities described in sub-  
16                   paragraphs (B) through (K) of such sec-  
17                   tion.

18                   “(iii) Covered entities described in  
19                   subparagraph (L) of such section.

20                   “(iv) Covered entities described in  
21                   subparagraph (M) of such section.

22                   “(v) Covered entities described in sub-  
23                   paragraph (N) of such section.

24                   “(vi) Covered entities described in  
25                   subparagraph (O) of such section.

1                   “(C) STATE DEFINED.—For purposes of  
2                   this paragraph, the term ‘State’ means 1 of the  
3                   50 States, the District of Columbia, or a terri-  
4                   tory that has in effect a rebate agreement de-  
5                   scribed in subsection (b).”; and

6                   (2) in subsection (k), as previously amended by  
7                   this subtitle, by adding at the end the following new  
8                   paragraph:

9                   “(14) PHARMACY BENEFIT MANAGER.—The  
10                  term ‘pharmacy benefit manager’ means any person  
11                  or entity that, either directly or through an inter-  
12                  mediary, acts as a price negotiator or group pur-  
13                  chaser on behalf of a State, managed care entity (as  
14                  defined in section 1903(m)(9)(D)), or other specified  
15                  entity (as so defined), or manages the prescription  
16                  drug benefits provided by a State, managed care en-  
17                  tity, or other specified entity, including the proc-  
18                  essing and payment of claims for prescription drugs,  
19                  the performance of drug utilization review, the proc-  
20                  essing of drug prior authorization requests, the man-  
21                  aging of appeals or grievances related to the pre-  
22                  scription drug benefits, contracting with pharmacies,  
23                  controlling the cost of covered outpatient drugs, or  
24                  the provision of services related thereto. Such term  
25                  includes any person or entity that acts as a price ne-

1       gotiator (with regard to payment amounts to phar-  
2       macies and providers for a covered outpatient drug  
3       or the net cost of the drug) or group purchaser on  
4       behalf of a State, managed care entity, or other  
5       specified entity or that carries out 1 or more of the  
6       other activities described in the preceding sentence,  
7       irrespective of whether such person or entity calls  
8       itself a pharmacy benefit manager.”.

9       (b) CONFORMING AMENDMENTS.—Section 1903(m)  
10   of such Act (42 U.S.C. 1396b(m)) is amended—

11           (1) in paragraph (2)(A)(xiii)—

12                   (A) by striking “and (III)” and inserting  
13                   “(III)”;

14                   (B) by inserting before the period at the  
15                   end the following: “, and (IV) if the contract in-  
16                   cludes provisions making the entity responsible  
17                   for coverage of covered outpatient drugs, the  
18                   entity shall comply with the requirements of  
19                   section 1927(e)(6)”;

20                   (C) by moving the left margin 2 ems to the  
21                   left; and

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

24                   “(10) No payment shall be made under this  
25   title to a State with respect to expenditures incurred

1 by the State for payment for services provided by an  
2 other specified entity (as defined in paragraph  
3 (9)(D)(iii)) unless such services are provided in ac-  
4 cordance with a contract between the State and such  
5 entity which satisfies the requirements of paragraph  
6 (2)(A)(xiii).”.

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to contracts between States and  
9 managed care entities, other specified entities, or phar-  
10 macy benefit managers that have an effective date begin-  
11 ning on or after the date that is 18 months after the date  
12 of enactment of this section.

13 (d) IMPLEMENTATION.—Implementation of the  
14 amendments made by this section shall be exempt from  
15 the requirements of section 553 of title 5, United States  
16 Code.

17 **SEC. 71117. PROHIBITING FEDERAL MEDICAID AND CHIP**  
18 **FUNDING FOR CERTAIN ITEMS AND SERV-**  
19 **ICES.**

20 (a) MEDICAID.—Section 1903(i) of the Social Secu-  
21 rity Act (42 U.S.C. 1396b(i)) is amended—

22 (1) in paragraph (26), by striking “; or” and  
23 inserting a semicolon;

24 (2) in paragraph (27), by striking the period at  
25 the end and inserting “; or”;



1           (3) by inserting after paragraph (27) the fol-  
2       lowing new paragraph:

3           “(28) with respect to any amount expended for  
4       specified gender transition procedures (as defined in  
5       section 1905(ll)) furnished to an individual enrolled  
6       in a State plan (or waiver of such plan).”; and

7           (4) in the flush left matter at the end, by strik-  
8       ing “and (18),” and inserting “(18), and (28)”.

9       (b) CHIP.—Section 2107(e)(1)(O) of the Social Se-  
10     curity Act (42 U.S.C. 1397gg(e)(1)(O)), as redesignated  
11     by section 71103(b)(1)(A) and amended by section  
12     71109(a)(2), is further amended by striking “and (22)”  
13     and inserting “(22), and (28)”.

14     (c) SPECIFIED GENDER TRANSITION PROCEDURES  
15     DEFINED.—Section 1905 of the Social Security Act (42  
16     U.S.C. 1396d) is amended by adding at the end the fol-  
17     lowing new subsection:

18       “(ll) SPECIFIED GENDER TRANSITION PROCE-  
19     DURES.—

20           “(1) IN GENERAL.—For purposes of section  
21     1903(i)(28), except as provided in paragraph (2),  
22     the term ‘specified gender transition procedure’  
23     means, with respect to an individual, any of the fol-  
24     lowing when performed for the purpose of inten-  
25     tionally changing the body of such individual (in-

1       cluding by disrupting the body’s development, inhib-  
2       iting its natural functions, or modifying its appear-  
3       ance) to no longer correspond to the individual’s sex:

4               “(A) Performing any surgery, including—

5                       “(i) castration;

6                       “(ii) sterilization;

7                       “(iii) orchiectomy;

8                       “(iv) scrotoplasty;

9                       “(v) vasectomy;

10                      “(vi) tubal ligation;

11                      “(vii) hysterectomy;

12                      “(viii) oophorectomy;

13                      “(ix) ovariectomy;

14                      “(x) metoidioplasty;

15                      “(xi) clitoroplasty;

16                      “(xii) reconstruction of the fixed part

17                      of the urethra with or without a

18                      metoidioplasty or a phalloplasty;

19                      “(xiii) penectomy;

20                      “(xiv) phalloplasty;

21                      “(xv) vaginoplasty;

22                      “(xvi) vaginectomy;

23                      “(xvii) vulvoplasty;

24                      “(xviii) reduction thyrochondroplasty;

25                      “(xix) chondrolaryngoplasty;

1 “(xx) mastectomy; and

2 “(xxi) any plastic, cosmetic, or aes-  
3 thetic surgery that feminizes or  
4 masculinizes the facial or other body fea-  
5 tures of an individual.

6 “(B) Any placement of chest implants to  
7 create feminine breasts or any placement of  
8 erection or testicular prostheses.

9 “(C) Any placement of fat or artificial im-  
10 plants in the gluteal region.

11 “(D) Administering, prescribing, or dis-  
12 pensing to an individual medications, includ-  
13 ing—

14 “(i) gonadotropin-releasing hormone  
15 (GnRH) analogues or other puberty-block-  
16 ing drugs to stop or delay normal puberty;  
17 and

18 “(ii) testosterone, estrogen, or other  
19 androgens to an individual at doses that  
20 are supraphysiologic than would normally  
21 be produced endogenously in a healthy in-  
22 dividual of the same age and sex.

23 “(2) EXCEPTION.—Paragraph (1) shall not  
24 apply to the following when furnished to an indi-

1       vidual by a health care provider with the consent of  
2       such individual's parent or legal guardian:

3               “(A) Puberty suppression or blocking pre-  
4       scription drugs for the purpose of normalizing  
5       puberty for an individual experiencing pre-  
6       cocious puberty.

7               “(B) Medically necessary procedures or  
8       treatments to correct for—

9                       “(i) a medically verifiable disorder of  
10       sex development, including—

11                               “(I) 46,XX chromosomes with  
12       virilization;

13                               “(II) 46,XY chromosomes with  
14       undervirilization; and

15                               “(III) both ovarian and testicular  
16       tissue;

17                       “(ii) sex chromosome structure, sex  
18       steroid hormone production, or sex hor-  
19       mone action, if determined to be abnormal  
20       by a physician through genetic or bio-  
21       chemical testing;

22                       “(iii) infection, disease, injury, or dis-  
23       order caused or exacerbated by a previous  
24       procedure described in paragraph (1), or a  
25       physical disorder, physical injury, or phys-

1           ical illness that would, as certified by a  
2           physician, place the individual in danger of  
3           death or impairment of a major bodily  
4           function unless the procedure is performed,  
5           not including procedures performed for the  
6           alleviation of mental distress; or

7                   “(iv) procedures to restore or recon-  
8           struct the body of the individual in order  
9           to correspond to the individual’s sex after  
10          one or more previous procedures described  
11          in paragraph (1), which may include the  
12          removal of a pseudo phallus or breast aug-  
13          mentation.

14               “(3) SEX.—For purposes of paragraph (1), the  
15          term ‘sex’ means either male or female, as bio-  
16          logically determined and defined in paragraphs (4)  
17          and (5), respectively.

18               “(4) FEMALE.—For purposes of paragraph (3),  
19          the term ‘female’ means an individual who naturally  
20          has, had, will have, or would have, but for a develop-  
21          mental or genetic anomaly or historical accident, the  
22          reproductive system that at some point produces,  
23          transports, and utilizes eggs for fertilization.

24               “(5) MALE.—For purposes of paragraph (3),  
25          the term ‘male’ means an individual who naturally

1       has, had, will have, or would have, but for a develop-  
2       mental or genetic anomaly or historical accident, the  
3       reproductive system that at some point produces,  
4       transports, and utilizes sperm for fertilization.”.

5   **SEC. 71118. FEDERAL PAYMENTS TO PROHIBITED ENTI-**  
6                   **TIES.**

7       (a) IN GENERAL.—No Federal funds that are consid-  
8       ered direct spending and provided to carry out a State  
9       plan under title XIX of the Social Security Act or a waiver  
10      of such a plan shall be used to make payments to a prohib-  
11      ited entity for items and services furnished during the 10-  
12      year period beginning on the date of the enactment of this  
13      Act, including any payments made directly to the prohib-  
14      ited entity or under a contract or other arrangement be-  
15      tween a State and a covered organization.

16      (b) DEFINITIONS.—In this section:

17           (1) PROHIBITED ENTITY.—The term “prohib-  
18      ited entity” means an entity, including its affiliates,  
19      subsidiaries, successors, and clinics—

20           (A) that, as of the first day of the first  
21      quarter beginning after the date of enactment  
22      of this Act—

23           (i) is an organization described in sec-  
24      tion 501(c)(3) of the Internal Revenue

1 Code of 1986 and exempt from tax under  
2 section 501(a) of such Code;

3 (ii) is an essential community provider  
4 described in section 156.235 of title 45,  
5 Code of Federal Regulations (as in effect  
6 on the date of enactment of this Act), that  
7 is primarily engaged in family planning  
8 services, reproductive health, and related  
9 medical care; and

10 (iii) provides for abortions, other than  
11 an abortion—

12 (I) if the pregnancy is the result  
13 of an act of rape or incest; or

14 (II) in the case where a woman  
15 suffers from a physical disorder, phys-  
16 ical injury, or physical illness, includ-  
17 ing a life-endangering physical condi-  
18 tion caused by or arising from the  
19 pregnancy itself, that would, as cer-  
20 tified by a physician, place the woman  
21 in danger of death unless an abortion  
22 is performed; and

23 (B) for which the total amount of Federal  
24 and State expenditures under the Medicaid pro-  
25 gram under title XIX of the Social Security Act

1           for medical assistance furnished in fiscal year  
2           2023 made directly, or by a covered organiza-  
3           tion, to the entity or to any affiliates, subsidi-  
4           aries, successors, or clinics of the entity, or  
5           made to the entity or to any affiliates, subsidi-  
6           aries, successors, or clinics of the entity as part  
7           of a nationwide health care provider network,  
8           exceeded \$800,000.

9           (2) DIRECT SPENDING.—The term “direct  
10          spending” has the meaning given that term under  
11          section 250(c) of the Balanced Budget and Emer-  
12          gency Deficit Control Act of 1985 (2 U.S.C. 900(c)).

13          (3) COVERED ORGANIZATION.—The term “cov-  
14          ered organization” means a managed care entity (as  
15          defined in section 1932(a)(1)(B) of the Social Secu-  
16          rity Act (42 U.S.C. 1396u–2(a)(1)(B))) or a prepaid  
17          inpatient health plan or prepaid ambulatory health  
18          plan (as such terms are defined in section  
19          1903(m)(9)(D) of such Act (42 U.S.C.  
20          1396b(m)(9)(D))).

21          (4) STATE.—The term “State” has the mean-  
22          ing given such term in section 1101 of the Social Se-  
23          curity Act (42 U.S.C. 1301).



1     **Subchapter C—Stopping Abusive Financing**  
2                                     **Practices**

3     **SEC. 71119. SUNSETTING INCREASED FMAP INCENTIVE.**

4             Section 1905(ii)(3) of the Social Security Act (42  
5     U.S.C. 1396d(ii)(3)) is amended—

6                     (1) by striking “which has not” and inserting  
7             the following: “which— “

8                             “(A) has not”;

9                     (2) in subparagraph (A), as so inserted, by  
10             striking the period at the end and inserting “; and”;  
11             and

12                     (3) by adding at the end the following new sub-  
13             paragraph:

14                             “(B) begins to expend amounts for all such  
15             individuals prior to January 1, 2026.”.

16     **SEC. 71120. PROVIDER TAXES.**

17             (a) **MORATORIUM ON NEW OR INCREASED PROVIDER**  
18     **TAXES.**—Section 1903(w)(1)(A)(iii) of the Social Security  
19     Act (42 U.S.C. 1396b(w)(1)(A)(iii)) is amended—

20                     (1) by striking “or” at the end;

21                     (2) by striking “if there” and inserting “if— “

22                             “(I) there”; and

23                     (3) by adding at the end the following new sub-  
24             clauses:

1           “(II) subject to paragraph (8), the tax is  
2           first imposed by the State (or by a unit of local  
3           government in the State) on or after the date  
4           of the enactment of this subclause (other than  
5           such a tax for which the legislation or regula-  
6           tions providing for the imposition of such tax  
7           were enacted or adopted prior to such date of  
8           enactment); or

9           “(III) subject to paragraph (8), on or after  
10          the date of the enactment of this subclause, the  
11          State (or unit of local government) increases  
12          the amount of tax on a per unit basis or the  
13          rate of tax imposed with respect to a class of  
14          health care items or services (or with respect to  
15          a type of provider or activity within such a  
16          class), or increases the base of the tax such  
17          that the tax is imposed with respect to a class  
18          of items or services (or with respect to a type  
19          of provider or activity within such a class) to  
20          which the tax did not previously apply, but only  
21          to the extent that such revenues are attrib-  
22          utable to such increase and only if such in-  
23          crease was not provided for in legislation or  
24          regulations enacted or adopted prior to such  
25          date of enactment; or”.

1 (b) CHANGE IN THRESHOLD FOR HOLD HARMLESS  
2 PROVISION OF BROAD-BASED HEALTH CARE RELATED  
3 TAXES.—Section 1903(w)(4) of the Social Security Act  
4 (42 U.S.C. 1396b(w)(4)) is amended—

5 (1) in subparagraph (C)(ii), by inserting “, and  
6 for fiscal years beginning on or after October 1,  
7 2026, the applicable percent determined under sub-  
8 paragraph (D) shall be substituted for ‘6 percent’”  
9 after “each place it appears”; and

10 (2) by adding at the end the following new sub-  
11 paragraph:

12 “(D)(i) For purposes of subparagraph (C)(ii), subject  
13 to clause (iii), the applicable percent determined under  
14 this subparagraph is—

15 “(I) with respect to a non-expansion State,  
16 6 percent; and

17 “(II) with respect to an expansion State—

18 “(aa) for fiscal year 2027, 5.5 per-  
19 cent;

20 “(bb) for fiscal year 2028, 5 percent;

21 “(cc) for fiscal year 2029, 4.5 percent;

22 “(dd) for fiscal year 2030, 4 percent;

23 and

24 “(ee) for fiscal year 2031 and each  
25 subsequent fiscal year, 3.5 percent.

1 “(ii) For purposes of clause (i):

2 “(I) EXPANSION STATE.—The term ‘ex-  
3 pansion State’ means a State that, beginning  
4 on January 1, 2014, or on any date thereafter,  
5 elects to provide medical assistance to all indi-  
6 viduals described in section  
7 1902(a)(10)(A)(i)(VIII) under the State plan  
8 under this title or under a waiver of such plan.

9 “(II) NON-EXPANSION STATE.—The term  
10 ‘non-expansion State’ means a State that is not  
11 an expansion State.

12 “(iii) In the case of a tax in effect on October  
13 1, 2026, that applies to a class of health care items  
14 or services that is described in paragraph (3) or (4)  
15 of section 433.56(a) of title 42, Code of Federal  
16 Regulations (as in effect on May 1, 2025), and for  
17 which, on May 1, 2025, is within the hold harmless  
18 threshold (as determined by the Secretary), the ap-  
19 plicable percent specified in clause (i) shall not apply  
20 but only to the extent that such tax is not modified  
21 or otherwise changed on or after such date unless  
22 such tax is to come into compliance with the require-  
23 ments of this section.”.

24 (c) NON-APPLICATION TO TERRITORIES.—The  
25 amendments made by this section shall only apply with

1 respect to a State that is 1 of the 50 States or the District  
2 of Columbia.

3 (d) IMPLEMENTATION FUNDING.—For the purposes  
4 of carrying out the provisions of, and the amendments  
5 made by, this section, there are appropriated, out of any  
6 monies in the Treasury not otherwise appropriated, to the  
7 Secretary of Health and Human Services, \$6,000,000 for  
8 fiscal year 2026, to remain available until expended.

9 **SEC. 71121. STATE DIRECTED PAYMENTS.**

10 (a) IN GENERAL.—Subject to subsection (b), the Sec-  
11 retary of Health and Human Services (in this section re-  
12 ferred to as the Secretary) shall revise section  
13 438.6(c)(2)(iii) of title 42, Code of Federal Regulations  
14 (or a successor regulation) such that, with respect to a  
15 payment described in such section made for a service fur-  
16 nished during a rating period beginning on or after the  
17 date of the enactment of this Act, the total payment rate  
18 for such service is limited to—

19 (1) in the case of a State that provides coverage  
20 to all individuals described in section  
21 1902(a)(10)(A)(i)(VIII) of the Social Security Act  
22 (42 U.S.C. 1396a(a)(10)(A)(i)(VIII)) that is equiva-  
23 lent to minimum essential coverage (as described in  
24 section 5000A(f)(1)(A) of the Internal Revenue  
25 Code of 1986 and determined in accordance with

1 standards prescribed by the Secretary in regula-  
2 tions) under the State plan (or waiver of such plan)  
3 of such State under title XIX of such Act, 100 per-  
4 cent of the specified total published Medicare pay-  
5 ment rate (or, in the absence of a specified total  
6 published Medicare payment rate, the payment rate  
7 under a Medicaid State plan); or

8 (2) in the case of a State other than a State  
9 described in paragraph (1), 110 percent of the speci-  
10 fied total published Medicare payment rate (or, in  
11 the absence of a specified total published Medicare  
12 payment rate, an equivalent payment rate under a  
13 Medicaid State plan).

14 (b) GRANDFATHERING CERTAIN PAYMENTS.—In the  
15 case of a payment described in section 438.6(c)(2)(iii) of  
16 title 42, Code of Federal Regulations (or a successor regu-  
17 lation) for which written prior approval (or a good faith  
18 effort to receive such approval, as determined by the Sec-  
19 retary) was made before May 1, 2025, for the rating pe-  
20 riod occurring within 180 days of the date of enactment,  
21 or a payment so described for such rating period for which  
22 a completed preprint was submitted to the Secretary prior  
23 to such date of enactment, beginning with the rating pe-  
24 riod on or after January 1, 2027, the total amount of such  
25 payment shall be reduced by 10 percentage points each

1 year until the total payment rate for such service is equal  
2 to the rate specified in subsection (a).

3 (c) TREATMENT OF EXPANSION STATES.—The revi-  
4 sions described in subsection (a) shall provide that, with  
5 respect to a State that begins providing the coverage de-  
6 scribed in paragraph (1) of such subsection on or after  
7 the date of the enactment of this Act, the limitation de-  
8 scribed in such paragraph shall apply to such State with  
9 respect to a payment described in section 438.6(c)(2)(iii)  
10 of title 42, Code of Federal Regulations (or a successor  
11 regulation) for a service furnished during a rating period  
12 beginning on or after the date on which such State begins  
13 providing such coverage, including with respect to a pay-  
14 ment so described for which written prior approval was  
15 made before such date.

16 (d) DEFINITIONS.—In this section:

17 (1) RATING PERIOD.—The term “rating pe-  
18 riod” has the meaning given such term in section  
19 438.2 of title 42, Code of Federal Regulations (or a  
20 successor regulation).

21 (2) STATE.—The term “State” means 1 of the  
22 50 States or the District of Columbia.

23 (3) TOTAL PUBLISHED MEDICARE PAYMENT  
24 RATE.—The term “total published Medicare pay-  
25 ment rate” means amounts calculated as payment

1 for specific services including the service furnished  
2 that have been developed under part A or part B of  
3 title XVIII of the Social Security Act (42 U.S.C.  
4 1395 et seq.).

5 (4) WRITTEN PRIOR APPROVAL.—The term  
6 “written prior approval” has the meaning given such  
7 term in section 438.6(c)(2)(i) of title 42, Code of  
8 Federal Regulations (or a successor regulation).

9 (e) FUNDING.—There are appropriated out of any  
10 monies in the Treasury not otherwise appropriated  
11 \$7,000,000 for each of fiscal years 2026 through 2033  
12 for purposes of carrying out this section.

13 **SEC. 71122. REQUIREMENTS REGARDING WAIVER OF UNI-**  
14 **FORM TAX REQUIREMENT FOR MEDICAID**  
15 **PROVIDER TAX.**

16 (a) IN GENERAL.—Section 1903(w) of the Social Se-  
17 curity Act (42 U.S.C. 1396b(w)) is amended—

18 (1) in paragraph (3)(E), by inserting after  
19 clause (ii)(II) the following new clause:

20 “(iii) For purposes of clause (ii)(I), a tax is not con-  
21 sidered to be generally redistributive if any of the following  
22 conditions apply:

23 “(I) Within a permissible class, the tax rate im-  
24 posed on any taxpayer or tax rate group (as defined  
25 in paragraph (7)(J)) explicitly defined by its rel-



1        atively lower volume or percentage of Medicaid tax-  
2        able units (as defined in paragraph (7)(H)) is lower  
3        than the tax rate imposed on any other taxpayer or  
4        tax rate group explicitly defined by its relatively  
5        higher volume or percentage of Medicaid taxable  
6        units.

7                   “(II) Within a permissible class, the tax rate  
8                   imposed on any taxpayer or tax rate group (as so  
9                   defined) based upon its Medicaid taxable units (as  
10                  so defined) is higher than the tax rate imposed on  
11                  any taxpayer or tax rate group based upon its non-  
12                  Medicaid taxable unit (as defined in paragraph  
13                  (7)(I)).

“(III) The tax excludes or imposes a lower tax rate on a taxpayer or tax rate group (as so defined) based on or defined by any description that results in the same effect as described in subclause (I) or (II) for a taxpayer or tax rate group. Characteristics that may indicate such type of exclusion include the use of terminology to establish a tax rate group—

“(aa) based on payments or expenditures made under the program under this title without mentioning the term ‘Medicaid’ (or any similar term) to accomplish the same effect as described in subclause (I) or (II); or

1 “(bb) that closely approximates a taxpayer  
2 or tax rate group under the program under this  
3 title, to the same effect as described in sub-  
4 clause (I) or (II).”;

5 (2) in paragraph (7), by adding at the end the  
6 following new subparagraphs:

7 “(H) The term ‘Medicaid taxable unit’ means a  
8 unit that is being taxed within a health care related  
9 tax that is applicable to the program under this title.  
10 Such term includes a unit that is used as the basis  
11 for—

12 “(i) payment under the program under this  
13 title (such as Medicaid bed days);

14 “(ii) Medicaid revenue;

15 “(iii) costs associated with the program  
16 under this title (such as Medicaid charges,  
17 claims, or expenditures); and

18 “(iv) other units associated with the pro-  
19 gram under this title, as determined by the Sec-  
20 retary.

21 “(I) The term ‘non-Medicaid taxable unit’  
22 means a unit that is being taxed within a health  
23 care related tax that is not applicable to the pro-  
24 gram under this title. Such term includes a unit that  
25 is used as the basis for—

1                   “(i) payment by non-Medicaid payers (such  
2                   as non-Medicaid bed days);

3                   “(ii) non-Medicaid revenue;

4                   “(iii) costs that are not associated with the  
5                   program under this title (such as non-Medicaid  
6                   charges, non-Medicaid claims, or non-Medicaid  
7                   expenditures); and

8                   “(iv) other units not associated with the  
9                   program under this title, as determined by the  
10                  Secretary.

11                  “(J) The term ‘tax rate group’ means a group  
12                  of entities contained within a permissible class of a  
13                  health care related tax that are taxed at the same  
14                  rate.”; and

15                  (3) by adding at the end the following new  
16                  paragraph:

17                  “(8) A State shall not be considered to violate the  
18                  prohibition described in subclause (II) or (III) of para-  
19                  graph (1)(A)(iii) if the State is imposing a tax or increas-  
20                  ing the amount or rate of a tax in order to comply with  
21                  the requirements described in paragraph (3)(E)(iii) by the  
22                  effective date of this paragraph, subject to any applicable  
23                  transition period determined by the Secretary.”.

24                  (b) NON-APPLICATION TO TERRITORIES.—The  
25                  amendments made by this section shall only apply with

1 respect to a State that is 1 of the 50 States or the District  
2 of Columbia.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall take effect upon the date of enactment  
5 of this Act, subject to any applicable transition period de-  
6 termined appropriate by the Secretary of Health and  
7 Human Services, not to exceed 3 fiscal years.

8 **SEC. 71123. REQUIRING BUDGET NEUTRALITY FOR MED-**  
9 **ICAID DEMONSTRATION PROJECTS UNDER**  
10 **SECTION 1115.**

11 (a) IN GENERAL.—Section 1115 of the Social Secu-  
12 rity Act (42 U.S.C. 1315) is amended by adding at the  
13 end the following new subsection:

14 “(g) REQUIREMENT OF BUDGET NEUTRALITY FOR  
15 MEDICAID DEMONSTRATION PROJECTS.—

16 “(1) IN GENERAL.—Beginning on the date of  
17 the enactment of this subsection, the Secretary may  
18 not approve an application for (or renewal or  
19 amendment of) an experimental, pilot, or demonstra-  
20 tion project undertaken under subsection (a) to pro-  
21 mote the objectives of title XIX in a State (in this  
22 subsection referred to as a ‘Medicaid demonstration  
23 project’) unless the Chief Actuary for the Centers  
24 for Medicare & Medicaid Services certifies that such  
25 project, based on expenditures for the State program

1 in the preceding fiscal year, is not expected to result  
2 in an increase in the amount of Federal expendi-  
3 tures compared to the amount that such expendi-  
4 tures would otherwise be in the absence of such  
5 project. For purposes of this subsection, expendi-  
6 tures for the coverage of populations and services  
7 that the State could have otherwise provided  
8 through its Medicaid State plan or other authority  
9 under title XIX, including expenditures that could  
10 be made under such authority but for the provision  
11 of such services at a different site of service than  
12 authorized under such State plan or other authority,  
13 shall be considered expenditures in the absence of  
14 such a project.

15 “(2) TREATMENT OF SAVINGS.—In the event  
16 that expenditures with respect to a State under a  
17 Medicaid demonstration project are, during an ap-  
18 proval period for such project, less than the amount  
19 of such expenditures that would have otherwise been  
20 made in the absence of such project, the Secretary  
21 shall specify the methodology to be used with respect  
22 to the subsequent approval period for such project  
23 for purposes of taking the difference between such  
24 expenditures into account.”.

1 (b) IMPLEMENTATION FUNDING.—For the purposes  
2 of carrying out the provisions of, and the amendments  
3 made by, this section, there are appropriated, out of any  
4 monies in the Treasury not otherwise appropriated, to the  
5 Secretary of Health and Human Services, \$5,000,000 for  
6 each of fiscal years 2026 and 2027, to remain available  
7 until expended.

8 **Subchapter D—Increasing Personal**  
9 **Accountability**

10 **SEC. 71124. REQUIREMENT FOR STATES TO ESTABLISH**  
11 **MEDICAID COMMUNITY ENGAGEMENT RE-**  
12 **QUIREMENTS FOR CERTAIN INDIVIDUALS.**

13 (a) IN GENERAL.—Section 1902 of the Social Secu-  
14 rity Act (42 U.S.C. 1396a), as amended by sections 71103  
15 and 71104, is further amended by adding at the end the  
16 following new subsection:

17 “(xx) COMMUNITY ENGAGEMENT REQUIREMENT FOR  
18 APPLICABLE INDIVIDUALS.—

19 “(1) IN GENERAL.—Except as provided in para-  
20 graph (11), beginning not later than the first day of  
21 the first quarter that begins after December 31,  
22 2026, or, at the option of the State under a waiver  
23 or demonstration project under section 1115, such  
24 earlier date as the State may specify, subject to the  
25 succeeding provisions of this subsection, a State

1       shall provide, as a condition of eligibility for medical  
2       assistance for an applicable individual, that such in-  
3       dividual is required to demonstrate community en-  
4       gagement under paragraph (2)—

5               “(A) in the case of an applicable individual  
6       who has filed an application for medical assist-  
7       ance under a State plan (or a waiver of such  
8       plan) under this title, for 1 or more but not  
9       more than 3 (as specified by the State) con-  
10      secutive months immediately preceding the  
11      month during which such individual applies for  
12      such medical assistance; and

13              “(B) in the case of an applicable individual  
14      enrolled and receiving medical assistance under  
15      a State plan (or under a waiver of such plan)  
16      under this title, for 1 or more (as specified by  
17      the State) months, whether or not consecu-  
18      tive—

19              “(i) during the period between such  
20      individual’s most recent determination (or  
21      redetermination, as applicable) of eligibility  
22      and such individual’s next regularly sched-  
23      uled redetermination of eligibility (as  
24      verified by the State as part of such regu-

1 early scheduled redetermination of eligi-  
2 bility); or

“(ii) in the case of a State that has elected under paragraph (4) to conduct more frequent verifications of compliance with the requirement to demonstrate community engagement, during the period between the most recent and next such verification with respect to such individual.

“(2) COMMUNITY ENGAGEMENT COMPLIANCE DESCRIBED.—Subject to paragraph (3), an applicable individual demonstrates community engagement under this paragraph for a month if such individual meets 1 or more of the following conditions with respect to such month, as determined in accordance with criteria established by the Secretary through regulation:

18                   “(A) The individual works not less than 80  
19                   hours.

20 “(B) The individual completes not less  
21 than 80 hours of community service.

22 “(C) The individual participates in a work  
23 program for not less than 80 hours.

24 “(D) The individual is enrolled in an edu-  
25 cational program at least half-time.



“(E) The individual engages in any combination of the activities described in subparagraphs (A) through (D), for a total of not less than 80 hours.

5                   “(F) The individual has a monthly income  
6                   that is not less than the applicable minimum  
7                   wage requirement under section 6 of the Fair  
8                   Labor Standards Act of 1938, multiplied by 80  
9                   hours.

10 “(3) EXCEPTIONS.—

“(A) MANDATORY EXCEPTION FOR CERTAIN INDIVIDUALS.—The State shall deem an applicable individual to have demonstrated community engagement under paragraph (2) for a month, and may elect to not require an individual to verify information resulting in such deeming, if—

18 “(i) for part or all of such month, the  
19 individual—

20 “(I) was a specified excluded in-  
21 dividual (as defined in paragraph  
22 (9)(A)(ii)); or

23 “(II) was—

24 “(aa) under the age of 19;

1 “(bb) entitled to, or enrolled  
2 for, benefits under part A of title  
3 XVIII, or enrolled for benefits  
4 under part B of title XVIII; or

5 “(cc) described in any of  
6 subclauses (I) through (VII) of  
7 subsection (a)(10)(A)(i); or

8 “(ii) at any point during the 3-month  
9 period ending on the first day of such  
10 month, the individual was an inmate of a  
11 public institution.

12 “(B) OPTIONAL EXCEPTION FOR SHORT-  
13 TERM HARDSHIP EVENTS.—

14 “(i) IN GENERAL.—The State plan (or  
15 waiver of such plan) may provide, in the  
16 case of an applicable individual who experi-  
17 ences a short-term hardship event during a  
18 month, that the State shall, under proce-  
19 dures established by the State (in accord-  
20 ance with standards specified by the Sec-  
21 retary), and in the case of a short-term  
22 hardship event described in clause (ii)(I)  
23 and, upon the request of such individual, a  
24 short-term hardship event described in  
25 clause (ii)(III), deem such individual to

1 have demonstrated community engagement  
2 under paragraph (2) for such month.

3 “(ii) SHORT-TERM HARDSHIP EVENT  
4 DEFINED.—For purposes of this subpara-  
5 graph, an applicable individual experiences  
6 a short-term hardship event during a  
7 month if, for part or all of such month—

8 “(I) such individual receives in-  
9 patient hospital services, nursing facil-  
10 ity services, services in an inter-  
11 mediate care facility for individuals  
12 with intellectual disabilities, inpatient  
13 psychiatric hospital services, or such  
14 other services of similar acuity (in-  
15 cluding outpatient care relating to  
16 other services specified in this sub-  
17 clause) as the Secretary determines  
18 appropriate;

19 “(II) such individual resides in a  
20 county (or equivalent unit of local  
21 government)—

22 “(aa) in which there exists  
23 an emergency or disaster de-  
24 clared by the President pursuant  
25 to the National Emergencies Act

1 or the Robert T. Stafford Dis-  
2 aster Relief and Emergency As-  
3 sistance Act; or

4 “(bb) that, subject to a re-  
5 quest from the State to the Sec-  
6 retary, made in such form, at  
7 such time, and containing such  
8 information as the Secretary may  
9 require, has an unemployment  
10 rate that is at or above the lesser  
11 of—

12 “(AA) 8 percent; or

13 “(BB) 1.5 times the  
14 national unemployment rate;  
15 or

16 “(III) such individual must travel  
17 outside of their community for an ex-  
18 tended period of time to receive med-  
19 ical services necessary to treat a seri-  
20 ous or complex medical condition (as  
21 described in paragraph  
22 (9)(A)(ii)(V)(ee)) that are not avail-  
23 able within their community of resi-  
24 dence.

1           “(4) OPTION TO CONDUCT MORE FREQUENT  
2 COMPLIANCE VERIFICATIONS.—With respect to an  
3 applicable individual enrolled and receiving medical  
4 assistance under a State plan (or a waiver of such  
5 plan) under this title, the State shall verify (in ac-  
6 cordance with procedures specified by the Secretary)  
7 that each such individual has met the requirement  
8 to demonstrate community engagement under para-  
9 graph (1) during each such individual’s regularly  
10 scheduled redetermination of eligibility, except that a  
11 State may provide for such verifications more fre-  
12 quently.

13           “(5) EX PARTE VERIFICATIONS.—For purposes  
14 of verifying that an applicable individual has met the  
15 requirement to demonstrate community engagement  
16 under paragraph (1), the State shall, in accordance  
17 with standards established by the Secretary, estab-  
18 lish processes and use reliable information available  
19 to the State (such as payroll data or payments  
20 under this title to States for individuals) without re-  
21 quiring, where possible, the applicable individual to  
22 submit additional information.

23           “(6) PROCEDURE IN THE CASE OF NONCOMPLI-  
24 ANCE.—

1           “(A) IN GENERAL.—If a State is unable to  
2           verify that an applicable individual has met the  
3           requirement to demonstrate community engage-  
4           ment under paragraph (1) (including, if appli-  
5           cable, by verifying that such individual was  
6           deemed to have demonstrated community en-  
7           gagement under paragraph (3)) the State shall  
8           (in accordance with standards specified by the  
9           Secretary)—

10                   “(i) provide such individual with the  
11                   notice of noncompliance described in sub-  
12                   paragraph (B);

13                   “(ii)(I) provide such individual with a  
14                   period of 30 calendar days, beginning on  
15                   the date on which such notice of non-  
16                   compliance is received by the individual,  
17                   to—

18                           “(aa) make a satisfactory show-  
19                           ing to the State of compliance with  
20                           such requirement (including, if appli-  
21                           cable, by showing that such individual  
22                           was or should be deemed to have dem-  
23                           onstrated community engagement  
24                           under paragraph (3)); or

1                   “(bb) make a satisfactory show-  
2                   ing to the State that such require-  
3                   ment does not apply to such indi-  
4                   vidual on the basis that such indi-  
5                   vidual does not meet the definition of  
6                   applicable individual under paragraph  
7                   (9)(A); and

8                   “(II) if such individual is enrolled  
9                   under the State plan (or a waiver of such  
10                  plan) under this title, continue to provide  
11                  such individual with medical assistance  
12                  during such 30-calendar-day period; and

13                  “(iii) if no such satisfactory showing  
14                  is made and the individual is not a speci-  
15                  fied excluded individual described in para-  
16                  graph (9)(A)(ii), deny such individual’s ap-  
17                  plication for medical assistance under the  
18                  State plan (or waiver of such plan) or, as  
19                  applicable, disenroll such individual from  
20                  the plan (or waiver of such plan) not later  
21                  than the end of the month following the  
22                  month in which such 30-calendar-day pe-  
23                  riod ends, provided that—

24                  “(I) the State first determines  
25                  whether, with respect to the indi-

1                   vidual, there is any other basis for eli-  
2                   gibility for medical assistance under  
3                   the State plan (or waiver of such  
4                   plan) or for another insurance afford-  
5                   ability program; and

6                   “(II) the individual is provided  
7                   written notice and granted an oppor-  
8                   tunity for a fair hearing in accordance  
9                   with subsection (a)(3).

10                  “(B) NOTICE.—The notice of noncompli-  
11                  ance provided to an applicable individual under  
12                  subparagraph (A)(i) shall include information  
13                  (in accordance with standards specified by the  
14                  Secretary) on—

15                  “(i) how such individual may make a  
16                  satisfactory showing of compliance with  
17                  such requirement (as described in subpara-  
18                  graph (A)(ii)) or make a satisfactory show-  
19                  ing that such requirement does not apply  
20                  to such individual on the basis that such  
21                  individual does not meet the definition of  
22                  applicable individual under paragraph  
23                  (9)(A); and

24                  “(ii) how such individual may reapply  
25                  for medical assistance under the State plan



1 (or a waiver of such plan) under this title  
2 in the case that such individuals' applica-  
3 tion is denied or, as applicable, in the case  
4 that such individual is disenrolled from the  
5 plan (or waiver).

6 “(7) TREATMENT OF NONCOMPLIANT INDIVID-  
7 UALS IN RELATION TO CERTAIN OTHER PROVI-  
8 SIONS.—

9 “(A) CERTAIN FMAP INCREASES.—A State  
10 shall not be treated as not providing medical as-  
11 sistance to all individuals described in section  
12 1902(a)(10)(A)(i)(VIII), or as not expending  
13 amounts for all such individuals under the  
14 State plan (or waiver of such plan), solely be-  
15 cause such an individual is determined ineligible  
16 for medical assistance under the State plan (or  
17 waiver) on the basis of a failure to meet the re-  
18 quirement to demonstrate community engage-  
19 ment under paragraph (1).

20 “(B) OTHER PROVISIONS.—For purposes  
21 of section 36B(c)(2)(B) of the Internal Revenue  
22 Code of 1986, an individual shall be deemed to  
23 be eligible for minimum essential coverage de-  
24 scribed in section 5000A(f)(1)(A)(ii) of such  
25 Code for a month if such individual would have

1           been eligible for medical assistance under a  
2           State plan (or a waiver of such plan) under this  
3           title but for a failure to meet the requirement  
4           to demonstrate community engagement under  
5           paragraph (1).

6           “(8) OUTREACH.—

7                 “(A) IN GENERAL.—In accordance with  
8           standards specified by the Secretary, beginning  
9           not later than the date that precedes December  
10          31, 2026 (or, if the State elects under para-  
11          graph (1) to specify an earlier date, such earlier  
12          date) by the number of months specified by the  
13          State under paragraph (1)(A) plus 3 months,  
14          and periodically thereafter, the State shall no-  
15          tify applicable individuals enrolled under a  
16          State plan (or waiver) under this title of the re-  
17          quirement to demonstrate community engage-  
18          ment under this subsection. Such notice shall  
19          include information on—

20                 “(i) how to comply with such require-  
21          ment, including an explanation of the ex-  
22          ceptions to such requirement under para-  
23          graph (3) and the definition of the term  
24          ‘applicable individual’ under paragraph  
25          (9)(A);

1 “(ii) the consequences of noncompli-  
2 ance with such requirement; and

3 “(iii) how to report to the State any  
4 change in the individual’s status that could  
5 result in—

6 “(I) the applicability of an excep-  
7 tion under paragraph (3) (or the end  
8 of the applicability of such an excep-  
9 tion); or

10 “(II) the individual qualifying as  
11 a specified excluded individual under  
12 paragraph (9)(A)(ii).

13 “(B) FORM OF OUTREACH NOTICE.—A no-  
14 tice required under subparagraph (A) shall be  
15 delivered—

16 “(i) by regular mail (or, if elected by  
17 the individual, in an electronic format);  
18 and

19 “(ii) in 1 or more additional forms,  
20 which may include telephone, text message,  
21 an internet website, other commonly avail-  
22 able electronic means, and such other  
23 forms as the Secretary determines appro-  
24 priate.

25 “(9) DEFINITIONS.—In this subsection:

1 “(A) APPLICABLE INDIVIDUAL.—

2 “(i) IN GENERAL.—The term ‘applica-  
3 ble individual’ means an individual (other  
4 than a specified excluded individual (as de-  
5 fined in clause (ii)))—

6 “(I) who is eligible to enroll (or  
7 is enrolled) under the State plan  
8 under subsection (a)(10)(A)(i)(VIII);  
9 or

10 “(II) who—

11 “(aa) is otherwise eligible to  
12 enroll (or is enrolled) under a  
13 waiver of such plan that provides  
14 coverage that is equivalent to  
15 minimum essential coverage (as  
16 described in section  
17 5000A(f)(1)(A) of the Internal  
18 Revenue Code of 1986 and as de-  
19 termined in accordance with  
20 standards prescribed by the Sec-  
21 retary in regulations); and

22 “(bb) has attained the age  
23 of 19 and is under 65 years of  
24 age, is not pregnant, is not enti-  
25 tled to, or enrolled for, benefits

1 under part A of title XVIII, or  
2 enrolled for benefits under part  
3 B of title XVIII, and is not oth-  
4 erwise eligible to enroll under  
5 such plan.

6 “(ii) SPECIFIED EXCLUDED INDI-  
7 VIDUAL.—For purposes of clause (i), the  
8 term ‘specified excluded individual’ means  
9 an individual, as determined by the State  
10 (in accordance with standards specified by  
11 the Secretary)—

12 “(I) who is described in sub-  
13 section (a)(10)(A)(i)(IX);

14 “(II) who—

15 “(aa) is an Indian or an  
16 Urban Indian (as such terms are  
17 defined in paragraphs (13) and  
18 (28) of section 4 of the Indian  
19 Health Care Improvement Act);

20 “(bb) is a California Indian  
21 described in section 809(a) of  
22 such Act; or

23 “(cc) has otherwise been de-  
24 termined eligible as an Indian for  
25 the Indian Health Service under

1 regulations promulgated by the  
2 Secretary;

3 “(III) who is the parent, guard-  
4 ian, caretaker relative, or family care-  
5 giver (as defined in section 2 of the  
6 RAISE Family Caregivers Act) of a  
7 dependent child 14 years of age and  
8 under or a disabled individual;

9 “(IV) who is a veteran with a  
10 disability rated as total under section  
11 1155 of title 38, United States Code;

12 “(V) who is medically frail or  
13 otherwise has special medical needs  
14 (as defined by the Secretary), includ-  
15 ing an individual—

16 “(aa) who is blind or dis-  
17 abled (as defined in section  
18 1614);

19 “(bb) with a substance use  
20 disorder;

21 “(cc) with a disabling men-  
22 tal disorder;

23 “(dd) with a physical, intel-  
24 lectual or developmental dis-  
25 ability that significantly impairs

1           their ability to perform 1 or more  
2           activities of daily living; or

3           “(ee) with a serious or com-  
4           plex medical condition;

5           “(VI) who—

6           “(aa) is in compliance with  
7           any requirements imposed by the  
8           State pursuant to section 407; or

9           “(bb) is a member of a  
10          household that receives supple-  
11          mental nutrition assistance pro-  
12          gram benefits under the Food  
13          and Nutrition Act of 2008 and is  
14          not exempt from a work require-  
15          ment under such Act;

16          “(VII) who is participating in a  
17          drug addiction or alcoholic treatment  
18          and rehabilitation program (as defined  
19          in section 3(h) of the Food and Nutri-  
20          tion Act of 2008);

21          “(VIII) who is an inmate of a  
22          public institution; or

23          “(IX) who is pregnant or entitled  
24          to postpartum medical assistance

1 under paragraph (5) or (16) of sub-  
2 section (e).

3 “(B) EDUCATIONAL PROGRAM.—The term  
4 ‘educational program’ includes—

5 “(i) an institution of higher education  
6 (as defined in section 101 of the Higher  
7 Education Act of 1965); and

8 “(ii) a program of career and tech-  
9 nical education (as defined in section 3 of  
10 the Carl D. Perkins Career and Technical  
11 Education Act of 2006).

12 “(C) STATE.—The term ‘State’ means 1 of  
13 the 50 States or the District of Columbia.

14 “(D) WORK PROGRAM.—The term ‘work  
15 program’ has the meaning given such term in  
16 section 6(o)(1) of the Food and Nutrition Act  
17 of 2008.

18 “(10) PROHIBITING WAIVER OF COMMUNITY  
19 ENGAGEMENT REQUIREMENTS.—Notwithstanding  
20 section 1115(a), the provisions of this subsection  
21 may not be waived.

22 “(11) SPECIAL IMPLEMENTATION RULE.—

23 “(A) IN GENERAL.—Subject to subpara-  
24 graph (C), the Secretary may exempt a State



1 from compliance with the requirements of this  
2 subsection if—

3 “(i) the State submits to the Sec-  
4 retary a request for such exemption, made  
5 in such form and at such time as the Sec-  
6 retary may require, and including the in-  
7 formation specified in subparagraph (B);  
8 and

9 “(ii) the Secretary determines that  
10 based on such request, the State is dem-  
11 onstrating a good faith effort to comply  
12 with the requirements of this subsection.

13 “(B) GOOD FAITH EFFORT DETERMINA-  
14 TION.—In determining whether a State is dem-  
15 onstrating a good faith effort for purposes of  
16 subparagraph (A)(ii), the Secretary shall con-  
17 sider—

18 “(i) any actions taken by the State to-  
19 ward compliance with the requirements of  
20 this subsection;

21 “(ii) any significant barriers to or  
22 challenges in meeting such requirements,  
23 including related to funding, design, devel-  
24 opment, procurement, or installation of  
25 necessary systems or resources;

1 “(iii) the State’s detailed plan and  
2 timeline for achieving full compliance with  
3 such requirements, including any mile-  
4 stones of such plan (as defined by the Sec-  
5 retary); and

6 “(iv) any other criteria determined ap-  
7 propriate by the Secretary.

8 “(C) DURATION OF EXEMPTION.—

9 “(i) IN GENERAL.—An exemption  
10 granted under subparagraph (A) shall ex-  
11 pire not later than December 31, 2028,  
12 and may not be renewed beyond such date.

13 “(ii) EARLY TERMINATION.—The Sec-  
14 retary may terminate an exemption grant-  
15 ed under subparagraph (A) prior to the ex-  
16 piration date of such exemption if the Sec-  
17 retary determined that the State has—

18 “(I) failed to comply with the re-  
19 porting requirements described in sub-  
20 paragraph (D); or

21 “(II) based on the information  
22 provided pursuant to subparagraph  
23 (D), failed to make continued good  
24 faith efforts toward compliance with  
25 the requirements of this subsection.

1                   “(D)     REPORTING     REQUIREMENTS.—A

2                   State granted an exemption under subpara-  
3                   graph (A) shall submit to the Secretary—

4                   “(i) quarterly progress reports on the  
5                   State’s status in achieving the milestones  
6                   toward full compliance described in sub-  
7                   paragraph (B)(iii); and

8                   “(ii) information on specific risks or  
9                   newly identified barriers or challenges to  
10                  full compliance, including the State’s plan  
11                  to mitigate such risks, barriers, or chal-  
12                  lenges.”.

13           (b)       CONFORMING        AMENDMENT.—Section  
14   1902(a)(10)(A)(i)(VIII) of the Social Security Act (42  
15   U.S.C. 1396a(a)(10)(A)(i)(VIII)) is amended by striking  
16   “subject to subsection (k)” and inserting “subject to sub-  
17   sections (k) and (xx)”.

18           (c)   PROHIBITING   CONFLICTS   OF   INTEREST.—A  
19   State shall not use a Medicaid managed care entity or  
20   other specified entity (as such terms are defined in section  
21   1903(m)(9)(D)), or other contractor to determine bene-  
22   ficiary compliance under such section unless the con-  
23   tractor has no direct or indirect financial relationship with  
24   any Medicaid managed care entity or other specified entity  
25   that is responsible for providing or arranging for coverage

1 of medical assistance for individuals enrolled with the enti-  
2 ty pursuant to a contract with such State.

3 (d) INTERIM FINAL RULEMAKING.—Not later than  
4 June 1, 2026, the Secretary of Health and Human Serv-  
5 ices shall promulgate an interim final rule for purposes  
6 of implementing the provisions of, and the amendments  
7 made by, this section. Any action taken to implement the  
8 provisions of, and the amendments made by, this section  
9 shall not be subject to the provisions of section 553 of  
10 title 5, United States Code.

11 (e) DEVELOPMENT OF GOVERNMENT EFFICIENCY  
12 GRANTS TO STATES.—

13 (1) IN GENERAL.—In order for States to estab-  
14 lish systems necessary to carry out the provisions of,  
15 and amendments made by, this section, the Sec-  
16 retary of Health and Human Services shall—

17 (A) out of amounts appropriated under  
18 paragraph (3)(A), award to each State a grant  
19 equal to the amount specified in paragraph (2)  
20 for such State; and

21 (B) out of amounts appropriated under  
22 paragraph (3)(B), distribute an equal amount  
23 among such States.

24 (2) AMOUNT SPECIFIED.—For purposes of  
25 paragraph (1), the amount specified in this para-

1 graph is an amount that bears the same ratio to the  
2 amount appropriated under paragraph (3)(A) as the  
3 number of applicable individuals (as defined in sec-  
4 tion 1902(xx) of the Social Security Act, as added  
5 by subsection (a)) residing in such State bears to  
6 the total number of such individuals residing in all  
7 States.

8 (3) FUNDING.—There are appropriated, out of  
9 any monies in the Treasury not otherwise appro-  
10 priated—

11 (A) \$100,000,000 for fiscal year 2026 for  
12 purposes of awarding grants under paragraph  
13 (1)(A), to remain available until expended; and

14 (B) \$100,000,000 for purposes of award  
15 grants under paragraph (1)(B), to remain avail-  
16 able until expended.

17 (4) DEFINITION.—In this subsection, the term  
18 “State” means 1 of the 50 States and the District  
19 of Columbia.

20 (f) IMPLEMENTATION FUNDING.—For the purposes  
21 of carrying out the provisions of, and the amendments  
22 made by, this section, there are appropriated, out of any  
23 monies in the Treasury not otherwise appropriated, to the  
24 Secretary of Health and Human Services, \$50,000,000 for  
25 fiscal year 2026, to remain available until expended.

1 **SEC. 71125. MODIFYING COST SHARING REQUIREMENTS**  
2 **FOR CERTAIN EXPANSION INDIVIDUALS**  
3 **UNDER THE MEDICAID PROGRAM.**

4 (a) IN GENERAL.—Section 1916 of the Social Secu-  
5 rity Act (42 U.S.C. 1396o) is amended—

6 (1) in subsection (a), in the matter preceding  
7 paragraph (1), by inserting “(other than, beginning  
8 October 1, 2028, specified individuals (as defined in  
9 subsection (k)(3)))” after “individuals”; and

10 (2) by adding at the end the following new sub-  
11 section:

12 “(k) SPECIAL RULES FOR CERTAIN EXPANSION IN-  
13 DIVIDUALS.—

14 “(1) PREMIUMS.—Beginning October 1, 2028,  
15 the State plan shall provide that in the case of a  
16 specified individual (as defined in paragraph (3))  
17 who is eligible under the plan, no enrollment fee,  
18 premium, or similar charge will be imposed under  
19 the plan.

20 “(2) REQUIRED IMPOSITION OF COST SHAR-  
21 ING.—

22 “(A) IN GENERAL.—Subject to subpara-  
23 graph (B) and subsection (j), in the case of a  
24 specified individual, the State plan shall, begin-  
25 ning October 1, 2028, provide for the imposi-  
26 tion of such deductions, cost sharing, or similar

1 charges determined appropriate by the State (in  
2 an amount greater than \$0) with respect to cer-  
3 tain care, items, or services furnished to such  
4 an individual, as determined by the State.

5 “(B) LIMITATIONS.—

6 “(i) EXCLUSION OF CERTAIN SERV-  
7 ICES.—In no case may a deduction, cost  
8 sharing, or similar charge be imposed  
9 under the State plan with respect to care,  
10 items, or services described in any of sub-  
11 paragraphs (B) through (J) of subsection  
12 (a)(2), or any primary care services, men-  
13 tal health care services, or substance use  
14 disorder services, furnished to a specified  
15 individual.

16 “(ii) ITEM AND SERVICE LIMITA-  
17 TION.—

18 “(I) IN GENERAL.—Except as  
19 provided in subclauses (II) and(III),  
20 in no case may a deduction, cost shar-  
21 ing, or similar charge imposed under  
22 the State plan with respect to care or  
23 an item or service furnished to a spec-  
24 ified individual exceed \$35.

1                   “(II) SPECIAL RULES FOR PRE-  
2                   SCRIPTION DRUGS.—In no case may a  
3                   deduction, cost sharing, or similar  
4                   charge imposed under the State plan  
5                   with respect to a prescription drug  
6                   furnished to a specified individual ex-  
7                   ceed the limit that would be applicable  
8                   under paragraph (2)(A)(i) or (2)(B)  
9                   of section 1916A(c) with respect to  
10                  such drug and individual if such drug  
11                  so furnished were subject to cost shar-  
12                  ing under such section.

13                  “(III) SPECIAL RULES FOR CER-  
14                  TAIN NON-EMERGENCY SERVICES.—  
15                  Subject to the requirements of sub-  
16                  paragraphs (A) and (B) of section  
17                  1916A(e)(1), in no case may a deduc-  
18                  tion, cost sharing, or similar charge  
19                  imposed under the State plan with re-  
20                  spect to a non-emergency service (as  
21                  defined in 1916A(e)(4)(A)) furnished  
22                  in a hospital emergency department to  
23                  a specified individual exceed the limit  
24                  that would be applicable under sub-  
25                  paragraph (A) or (B) of section



1                   1916A(e)(2) with respect to such  
2                   service and individual if such service  
3                   so furnished were subject to cost shar-  
4                   ing under such section.

5                   “(iii) MAXIMUM LIMIT ON COST SHAR-  
6                   ING.—The total aggregate amount of de-  
7                   ductions, cost sharing, or similar charges  
8                   imposed under the State plan for all indi-  
9                   viduals in the family may not exceed 5 per-  
10                  cent of the family income of the family in-  
11                  volved, as applied on a quarterly or month-  
12                  ly basis (as specified by the State).

13                  “(C) CASES OF NONPAYMENT.—Notwith-  
14                  standing subsection (e), a State may permit a  
15                  provider participating under the State plan to  
16                  require, as a condition for the provision of care,  
17                  items, or services to a specified individual enti-  
18                  tled to medical assistance under this title for  
19                  such care, items, or services, the payment of  
20                  any deductions, cost sharing, or similar charges  
21                  authorized to be imposed with respect to such  
22                  care, items, or services. Nothing in this sub-  
23                  paragraph shall be construed as preventing a  
24                  provider from reducing or waiving the applica-

1           tion of such deductions, cost sharing, or similar  
2           charges on a case-by-case basis.

3           “(3) SPECIFIED INDIVIDUAL DEFINED.—For  
4           purposes of this subsection, the term ‘specified indi-  
5           vidual’ means an individual who has a family income  
6           (as determined in accordance with section  
7           1902(e)(14)) that exceeds the poverty line (as de-  
8           fined in section 2110(c)(5)) applicable to a family of  
9           the size involved and—

10           “(A) is enrolled under section  
11           1902(a)(10)(A)(i)(VIII); or

12           “(B) is described in such subsection and  
13           otherwise enrolled under a waiver of the State  
14           plan that provides coverage that is equivalent to  
15           minimum essential coverage (as described in  
16           section 5000A(f)(1)(A) of the Internal Revenue  
17           Code of 1986 and determined in accordance  
18           with standards prescribed by the Secretary in  
19           regulations) to all individuals described in sec-  
20           tion 1902(a)(10)(A)(i)(VIII).

21           “(4) STATE DEFINED.—For purposes of this  
22           subsection, the term ‘State’ means 1 of the 50  
23           States or the District of Columbia.”.

24           (b) CONFORMING AMENDMENTS.—

1           (1)       REQUIRED       APPLICATION.—Section  
2       1902(a)(14) of the Social Security Act (42 U.S.C.  
3       1396a(a)(14)) is amended by inserting “and provide  
4       for imposition of such deductions, cost sharing, or  
5       similar charges for care, items, or services furnished  
6       to specified individuals (as defined in paragraph (3)  
7       of section 1916(k)) in accordance with paragraph  
8       (2) of such section” after “section 1916”.

9           (2) NONAPPLICABILITY OF ALTERNATIVE COST  
10       SHARING.—Section 1916A(a)(1) of the Social Secu-  
11       rity Act (42 U.S.C. 1396o–1(a)(1)) is amended, in  
12       the second sentence, by striking “or (j)” and insert-  
13       ing “(j), or (k)”.

## 14                   **CHAPTER 2—MEDICARE**

### 15   **SEC. 71201. LIMITING MEDICARE COVERAGE OF CERTAIN** 16                   **INDIVIDUALS.**

17       Title XVIII of the Social Security Act (42 U.S.C.  
18       1395 et seq.) is amended by adding at the end the fol-  
19       lowing new section:

### 20   **“SEC. 1899C. LIMITING MEDICARE COVERAGE OF CERTAIN** 21                   **INDIVIDUALS.**

22       “(a) IN GENERAL.—Subject to subsection (b), an in-  
23       dividual may be entitled to, or enrolled for, benefits under  
24       this title only if the individual is—

25               “(1) a citizen or national of the United States;

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 **CHAPTER 3—HEALTH TAX**

10 **Subchapter A—Improving Eligibility Criteria**

11 **SEC. 71301. PERMITTING PREMIUM TAX CREDIT ONLY FOR**  
12 **CERTAIN INDIVIDUALS.**

13 (a) IN GENERAL.—Section 36B(e)(1) is amended by  
14 inserting “or, in the case of aliens who are lawfully  
15 present, are not eligible aliens” after “individuals who are  
16 not lawfully present”.

17 (b) ELIGIBLE ALIENS.—Section 36B(e)(2) is amend-  
18 ed—

19 (1) by striking “For purposes of this section,  
20 an individual” and inserting the following: “For pur-  
21 poses of this section— “

22 “(A) IN GENERAL.—An individual”, and

23 (2) by adding at the end the following new sub-  
24 paragraph:

1           “(B) ELIGIBLE ALIENS.—An individual  
2           who is an alien and lawfully present shall be  
3           treated as an eligible alien if and only if such  
4           individual is, and is reasonably expected to be  
5           for the entire period of enrollment for which the  
6           credit under this section is being claimed—

7                   “(i) an alien who is lawfully admitted  
8                   for permanent residence under the Immi-  
9                   gration and Nationality Act (8 U.S.C.  
10                  1101 et seq.),

11                  “(ii) an alien who—

12                          “(I) is a citizen or national of the  
13                          Republic of Cuba,

14                          “(II) is the beneficiary of an ap-  
15                          proved petition under section 203(a)  
16                          of the Immigration and Nationality  
17                          Act (8 U.S.C. 1153(a)),

18                          “(III) meets all eligibility re-  
19                          quirements for an immigrant visa but  
20                          for whom such a visa is not imme-  
21                          diately available,

22                          “(IV) is not otherwise inadmis-  
23                          sible under section 212(a) of such Act  
24                          (8 U.S.C. 1182(a)), and

1                   “(V) is physically present in the  
2                   United States pursuant to a grant of  
3                   parole in furtherance of the commit-  
4                   ment of the United States to the min-  
5                   imum level of annual legal migration  
6                   of Cuban nationals to the United  
7                   States specified in the U.S.-Cuba  
8                   Joint Communiqué on Migration,  
9                   done at New York September 9, 1994,  
10                  and reaffirmed in the Cuba-United  
11                  States: Joint Statement on Normal-  
12                  ization of Migration, Building on the  
13                  Agreement of September 9, 1994,  
14                  done at New York May 2, 1995, or

15                  “(iii) an individual who lawfully re-  
16                  sides in the United States in accordance  
17                  with a Compact of Free Association re-  
18                  ferred to in section 402(b)(2)(G) of the  
19                  Personal Responsibility and Work Oppor-  
20                  tunity Reconciliation Act of 1996 (8  
21                  U.S.C. 1612(b)(2)(G)).”.

22                  (c) CONFORMING AMENDMENTS.—

23                  (1) VERIFICATION OF INFORMATION.—Section  
24                  1411 of the Patient Protection and Affordable Care  
25                  Act (42 U.S.C. 18081) is amended—



1 (A) in subsection (a)—

2 (i) in paragraph (1), by striking “and  
3 section 36B(e) of the Internal Revenue  
4 Code of 1986”; and

5 (ii) in paragraph (2)—

6 (I) in subparagraph (A), by strik-  
7 ing “and” at the end;

8 (II) in subparagraph (B), by add-  
9 ing “and” at the end; and

10 (III) by adding at the end the  
11 following new subparagraph:

12 “(C) in the case such individual is an alien  
13 lawfully present in the United States, whether  
14 such individual is an eligible alien (within the  
15 meaning of section 36B(e)(2) of such Code);”;

16 (B) in subsection (b)(3), by adding at the  
17 end the following new subparagraph:

18 “(D) IMMIGRATION STATUS.—In the case  
19 the individual’s eligibility is based on an attes-  
20 tation of the enrollee’s immigration status, an  
21 attestation that such individual is an eligible  
22 alien (within the meaning of 36B(e)(2) of the  
23 Internal Revenue Code of 1986).”; and

24 (C) in subsection (c)(2)(B)(ii), by adding  
25 at the end the following new subclause:

1                   “(III) In the case of an indi-  
2                   vidual described in clause (i)(I) with  
3                   respect to whom a premium tax credit  
4                   or reduced cost-sharing under section  
5                   36B of the Internal Revenue Code of  
6                   1986 or section 1402 is being claimed,  
7                   the attestation that the individual is  
8                   an eligible alien (within the meaning  
9                   of section 36B(e)(2) of such Code).”.

10           (2)    ADVANCE    DETERMINATIONS.—Section  
11    1412(d) of the Patient Protection and Affordable  
12    Care Act (42 U.S.C. 18082(d)) is amended by in-  
13    serting before the period at the end the following:  
14    “or, in the case of aliens who are lawfully present,  
15    are not eligible aliens (within the meaning of section  
16    36B(e)(2) of the Internal Revenue Code of 1986)”.

17           (3)    BASIC    HEALTH    PROGRAMS.—Section  
18    1331(e)(1) of the Patient Protection and Affordable  
19    Care Act (42 U.S.C. 18051(e)(1)) is amended by in-  
20    serting before the period at the end the following:  
21    “or, in the case of an alien who is lawfully present,  
22    an individual who is not an eligible alien (as defined  
23    in section 36B(e)(2) of the Internal Revenue Code  
24    of 1986”.

1           (4) EFFECTIVE DATE.—The amendments made  
2       by this subsection shall apply with respect to plan  
3       years beginning on or after January 1, 2027.

4       (d) CLERICAL AMENDMENTS.—

5           (1) The heading for section 36B(e) is amended  
6       by inserting “AND NOT ELIGIBLE ALIENS” after  
7       “INDIVIDUALS NOT LAWFULLY PRESENT”.

8           (2) The heading for section 36B(e)(2) is  
9       amended by inserting “; ELIGIBLE ALIENS” after  
10      “LAWFULLY PRESENT”.

11      (e) REQUIREMENT TO MAINTAIN MINIMUM ESSEN-  
12      TIAL COVERAGE.—Section 5000A(d)(3) is amended by  
13      striking “an alien lawfully present in the United States”  
14      and inserting “an eligible alien (within the meaning of sec-  
15      tion 36B(e)(2))”.

16      (f) REGULATIONS.—The Secretary of the Treasury  
17      and the Secretary of Health and Human Services may  
18      each prescribe such rules and other guidance as may be  
19      necessary or appropriate to carry out the amendments  
20      made by this section.

21      (g) EFFECTIVE DATE.—The amendments made by  
22      this section (other than the amendments made by sub-  
23      section (c)) shall apply to taxable years beginning after  
24      December 31, 2026.

1 **SEC. 71302. DISALLOWING PREMIUM TAX CREDIT DURING**  
2 **PERIODS OF MEDICAID INELIGIBILITY DUE**  
3 **TO ALIEN STATUS.**

4 (a) IN GENERAL.—Section 36B(c)(1) is amended by  
5 striking subparagraph (B) and by redesignating subpara-  
6 graphs (C), (D), and (E) as subparagraphs (B), (C), and  
7 (D), respectively.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 36B(g)(4)(A) is amended by strik-  
10 ing “subsection (c)(1)(C)” and inserting “subsection  
11 (c)(1)(B)”.

12 (2) Section 1331(e)(1)(B) of the Patient Pro-  
13 tection and Affordable Care Act (42 U.S.C.  
14 18051(e)(1)(B)) is amended by striking “, or, in the  
15 case of” and all that follows through “such alien  
16 status”.

17 (3) Section 1402(b) of such Act (42 U.S.C.  
18 18071(b)) is amended by striking the second sen-  
19 tence.

20 (c) REGULATIONS.—The Secretary of the Treasury  
21 and the Secretary of Health and Human Services may  
22 each prescribe such rules and other guidance as may be  
23 necessary or appropriate to carry out the amendments  
24 made by this section.

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

4 **Subchapter B—Preventing Waste, Fraud, and**  
5 **Abuse**

6 **SEC. 71303. REQUIRING VERIFICATION OF ELIGIBILITY FOR**  
7 **PREMIUM TAX CREDIT.**

8 (a) IN GENERAL.—Section 36B(c) is amended by  
9 adding at the end the following new paragraphs:

10 “(5) EXCHANGE ENROLLMENT VERIFICATION  
11 REQUIREMENT.—

12 “(A) IN GENERAL.—The term ‘coverage  
13 month’ shall not include, with respect to any in-  
14 dividual covered by a qualified health plan en-  
15 rolled in through an Exchange, any month be-  
16 ginning before the Exchange verifies, using ap-  
17 plicable enrollment information that shall be  
18 provided or verified by the applicant, such indi-  
19 vidual’s eligibility—

20 “(i) to enroll in the plan through the  
21 Exchange, and

22 “(ii) for any advance payment under  
23 section 1412 of the Patient Protection and  
24 Affordable Care Act of the credit allowed  
25 under this section.

1                   “(B) APPLICABLE ENROLLMENT INFORMA-  
2                   TION.—For purposes of subparagraph (A), ap-  
3                   plicable enrollment information shall include af-  
4                   firmation of at least the following information  
5                   (to the extent relevant in determining eligibility  
6                   described in subparagraph (A)):

7                   “(i) Household income and family  
8                   size.

9                   “(ii) Whether the individual is an eli-  
10                  gible alien.

11                  “(iii) Any health coverage status or  
12                  eligibility for coverage.

13                  “(iv) Place of residence.

14                  “(v) Such other information as may  
15                  be determined by the Secretary (in con-  
16                  sultation with the Secretary of Health and  
17                  Human Services) as necessary to the  
18                  verification prescribed under subparagraph  
19                  (A).

20                  “(C) VERIFICATION OF PAST MONTHS.—In  
21                  the case of a month that begins before  
22                  verification prescribed by subparagraph (A),  
23                  such month shall be treated as a coverage  
24                  month if, and only if, the Exchange verifies for  
25                  such month (using applicable enrollment infor-

1 mation that shall be provided or verified by the  
2 applicant) such individual's eligibility to have so  
3 enrolled and for any such advance payment.

4 “(D) EXCHANGE PARTICIPATION; COORDI-  
5 NATION WITH OTHER PROCEDURES FOR DETER-  
6 MINING ELIGIBILITY.—An individual shall not,  
7 solely by reason of failing to meet the require-  
8 ments of this paragraph with respect to a  
9 month, be treated for such month as ineligible  
10 to enroll in a qualified health plan through an  
11 Exchange.

12 “(E) WAIVER FOR CERTAIN SPECIAL EN-  
13 ROLLMENT PERIODS.—The Secretary may  
14 waive the application of subparagraph (A) in  
15 the case of an individual who enrolls in a quali-  
16 fied health plan through an Exchange for 1 or  
17 more months of the taxable year during a spe-  
18 cial enrollment period provided by the Exchange  
19 on the basis of a change in the family size of  
20 the individual.

21 “(F) INFORMATION AND RELIANCE ON  
22 THIRD-PARTY SOURCES.—An Exchange shall be  
23 permitted to use any data available to the Ex-  
24 change and any reliable third-party sources in

1 collecting information for verification by the ap-  
2 plicant.

3 “(6) EXCHANGE COMPLIANCE WITH FILING RE-  
4 QUIREMENTS.—The term ‘coverage month’ shall not  
5 include, with respect to any individual covered by a  
6 qualified health plan enrolled in through an Ex-  
7 change, any month for which the Exchange does not  
8 meet the requirements of section 155.305(f)(4) of  
9 title 45, Code of Federal Regulations (as published  
10 in the Federal Register on March 19, 2025 (90 FR  
11 12942)), with respect to the individual.”.

12 (b) PRE-ENROLLMENT VERIFICATION PROCESS RE-  
13 QUIRED.—Section 36B(c)(3)(A) is amended—

14 (1) by striking “HEALTH PLAN.—The term”  
15 and inserting “HEALTH PLAN.— “

16 “(i) IN GENERAL.—The term”, and

17 (2) by adding at the end the following new  
18 clause:

19 “(ii) PRE-ENROLLMENT VERIFICATION  
20 PROCESS REQUIRED.—Such term shall not  
21 include any plan enrolled in through an  
22 Exchange, unless such Exchange provides  
23 a process for pre-enrollment verification  
24 through which any applicant may, begin-  
25 ning not later than August 1, verify with



1 the Exchange the applicant’s household in-  
2 come and eligibility for enrollment in such  
3 plan for plan years beginning in the subse-  
4 quent year.”.

5 (c) REGULATIONS.—The Secretary of the Treasury  
6 and the Secretary of Health and Human Services may  
7 each prescribe such rules and other guidance as may be  
8 necessary or appropriate to carry out the amendments  
9 made by this section.

10 (d) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years beginning after  
12 December 31, 2027.

13 **SEC. 71304. DISALLOWING PREMIUM TAX CREDIT IN CASE**  
14 **OF CERTAIN COVERAGE ENROLLED IN DUR-**  
15 **ING SPECIAL ENROLLMENT PERIOD.**

16 (a) IN GENERAL.—Section 36B(c)(3)(A), as amend-  
17 ed by the preceding provisions of this Act, is amended by  
18 adding at the end the following new clause:

19 “(iii) EXCEPTION IN CASE OF CER-  
20 TAIN SPECIAL ENROLLMENT PERIODS.—  
21 Such term shall not include any plan en-  
22 rolled in during a special enrollment period  
23 provided for by an Exchange—

24 “(I) on the basis of the relation-  
25 ship of the individual’s expected

1 household income to such a percent-  
2 age of the poverty line (or such other  
3 amount) as is prescribed by the Sec-  
4 retary of Health and Human Services  
5 for purposes of such period, and

6 “(II) not in connection with the  
7 occurrence of an event or change in  
8 circumstances specified by the Sec-  
9 retary of Health and Human Services  
10 for such purposes.”.

11 (b) REGULATIONS.—The Secretary of the Treasury  
12 and the Secretary of Health and Human Services may  
13 each prescribe such rules and other guidance as may be  
14 necessary or appropriate to carry out the amendments  
15 made by this section.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply with respect to plan years begin-  
18 ning after December 31, 2025.

19 **SEC. 71305. ELIMINATING LIMITATION ON RECAPTURE OF**  
20 **ADVANCE PAYMENT OF PREMIUM TAX CRED-**  
21 **IT.**

22 (a) IN GENERAL.—Section 36B(f)(2) is amended by  
23 striking subparagraph (B).

24 (b) CONFORMING AMENDMENTS.—

(1) Section 36B(f)(2) is amended by striking “ADVANCE PAYMENTS.—” and all that follows through “If the advance payments” and inserting the following: “ADVANCE PAYMENTS.—If the advance payments”.

6           (2) Section 35(g)(12)(B)(ii) is amended by  
7       striking “then section 36B(f)(2)(B) shall be applied  
8       by substituting the amount determined under clause  
9       (i) for the amount determined under section  
10      36B(f)(2)(A)” and inserting “then the amount de-  
11      termined under clause (i) shall be substituted for the  
12      amount determined under section 36B(f)(2)”.

(c) SPECIAL RULE FOR CERTAIN INDIVIDUALS  
TREATED AS APPLICABLE TAXPAYERS.—Paragraph (1)  
of section 36B(c) is amended by adding at the end the  
following new subparagraph:

17 “(E) SPECIAL RULE FOR CERTAIN INDIVIDUALS TREATED AS APPLICABLE TAX-  
18 VIDUALS TREATED AS APPLICABLE TAX-  
19 PAYERS.—In the case of a taxable year begin-  
20 ning after December 31, 2025, if an indi-  
21 vidual—

“(i) is determined by an Exchange at the time of enrollment in a qualified health plan through such Exchange to have a projected annual household income for the

1 taxable year which equals or exceeds 100  
2 percent of an amount equal to the poverty  
3 line for a family of the size involved, and  
4 “(ii) receives an advance payment of  
5 the credit under this section for 1 or more  
6 months during such taxable year under  
7 section 1412 of the Patient Protection and  
8 Affordable Care Act,  
9 such individual shall not fail to be treated as an  
10 applicable taxpayer for such taxable year solely  
11 because the actual household income of the in-  
12 dividual for the taxable year is less than 100  
13 percent of an amount equal to the poverty line  
14 for a family of the size involved, unless the Sec-  
15 retary determines that the individual provided  
16 incorrect information to the Exchange with in-  
17 tentional or reckless disregard for the facts.”.

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

## 21 **Subtitle C—Increase in Debt Limit**

### 22 **SEC. 72001. MODIFICATION OF LIMITATION ON THE PUBLIC** 23 **DEBT.**

24 The limitation under section 3101(b) of title 31,  
25 United States Code, as most recently increased by section

- 1 401(b) of Public Law 118–5 (31 U.S.C. 3101 note), is
- 2 increased by \$5,000,000,000,000.