

119TH CONGRESS
1ST SESSION

H. R. 6900

To amend the Internal Revenue Code of 1986 to address the nation's cost-of-living crisis.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 18, 2025

Mr. THOMPSON of California (for himself, Mr. LARSON of Connecticut, Mr. DAVIS of Illinois, Ms. SÁNCHEZ, Ms. SEWELL, Ms. DELBENE, Ms. CHU, Ms. MOORE of Wisconsin, Mr. BOYLE of Pennsylvania, Mr. BEYER, Mr. EVANS of Pennsylvania, Mr. SCHNEIDER, Mr. PANETTA, Mr. GOMEZ, Mr. HORSFORD, Ms. PLASKETT, Mr. SUOZZI, Mr. BELL, Ms. CRAIG, Ms. DELAURO, Mr. GARAMENDI, Mr. GOLDMAN of New York, Ms. JOHNSON of Texas, Mr. KENNEDY of New York, Ms. MATSUI, Ms. MCBRIDE, Ms. McDONALD RIVET, Mr. MCGARVEY, Mr. MRVAN, Mr. QUIGLEY, Ms. SALINAS, Ms. TITUS, and Ms. SCHOLTEN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and Workforce, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to address the nation's cost-of-living crisis.

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

1 **SECTION 1. SHORT TITLE; ETC.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “American Affordability Act of 2025”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment is expressed in terms of an amendment to a section
7 or other provision, the reference shall be considered to be
8 made to a section or other provision of the Internal Rev-
9 enue Code of 1986.

10 (c) TABLE OF CONTENTS.—The table of contents of
11 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—HOUSING AND MUNICIPAL INFRASTRUCTURE

Subtitle A—Low-income Housing Credit

PART 1—REFORM OF STATE ALLOCATION FORMULAS

Sec. 11101. Increases in State allocations.

PART 2—REFORMS RELATING TO TENANT ELIGIBILITY

Sec. 11201. Average income test applicability to exempt facility bonds.

Sec. 11202. Codification of rules relating to increased tenant income.

Sec. 11203. Modification of student occupancy rules.

Sec. 11204. Tenant voucher payments taken into account as rent for certain
purposes.

Sec. 11205. Requirement that low-income housing credit-supported housing
protect victims of domestic abuse.

Sec. 11206. Clarification of general public use requirement relating to veterans,
etc.

PART 3—RULES RELATING TO CREDIT ELIGIBILITY AND DETERMINATION

Sec. 11301. Reconstruction or replacement period after casualty loss.

Sec. 11302. Modification of previous ownership rules; limitation on acquisition
basis.

Sec. 11303. Certain relocation costs taken into account as rehabilitation ex-
penditures.

Sec. 11304. Repeal of qualified census tract population cap.

Sec. 11305. Determination of community revitalization plan to be made by
housing credit agency.

Sec. 11306. Prohibition of local approval and contribution requirements.

- Sec. 11307. Increase in credit for certain projects designated to serve extremely low-income households.
- Sec. 11308. Increase in credit for bond-financed projects designated by State agency.
- Sec. 11309. Elimination of basis reduction for low-income housing properties energy efficient commercial building deduction.
- Sec. 11310. Restriction of planned foreclosures.
- Sec. 11311. Increase of population cap for difficult development areas.
- Sec. 11312. Increased cost oversight and accountability.

PART 4—REFORMS RELATING TO NATIVE AMERICAN ASSISTANCE

- Sec. 11401. Selection criteria under qualified allocation plans.
- Sec. 11402. Inclusion of Indian areas as difficult development areas for purposes of certain buildings.

PART 5—REFORMS RELATING TO RURAL ASSISTANCE

- Sec. 11501. Inclusion of rural areas as difficult development areas.
- Sec. 11502. Uniform income eligibility for rural projects.

PART 6—EXEMPT FACILITY BONDS

- Sec. 11601. Revision and clarification of the treatment of refunding issues.

PART 7—REFORMS RELATING TO DISABLED VETERANS

- Sec. 11701. Treatment of veteran disability compensation or pension payments for purposes of low income housing tax credit and residential rental project bonds.

PART 8—REFORMS RELATING TO CERTAIN OTHER POPULATIONS

- Sec. 11801. Additional housing credit allocations for certain populations who face unique barriers to affordable housing.

PART 9—QUALIFIED CONTRACTS AND RIGHT OF FIRST REFUSAL

- Sec. 11901. Repeal of qualified contract option.
- Sec. 11902. Modification and clarification of rights relating to building purchase.

Subtitle B—Additional Housing Incentives

- Sec. 12001. Investment credit for conversion of non-residential buildings to affordable housing.
- Sec. 12002. Neighborhood homes credit.
- Sec. 12003. Modification of historic rehabilitation tax credit.
- Sec. 12004. Increase of exclusion of gain from sale of principal residence.
- Sec. 12005. Middle-income housing tax credit.

Subtitle C—Affording the American Dream

- Sec. 13001. First-time homebuyer refundable tax credit.
- Sec. 13002. Refundable credit for rent paid for principal residence.

TITLE II—LOWERING ENERGY COSTS

Subtitle A—Lowering Costs Through an All-of-the-above Energy Policy

- Sec. 21001. Clean energy production credit.
- Sec. 21002. Clean electricity investment credit.
- Sec. 21003. Advanced manufacturing production credit.
- Sec. 21004. Repeal of restriction on the extension of advance energy project credit program.
- Sec. 21005. Reversion of construction date for clean hydrogen production credit.
- Sec. 21006. Reversion of termination for residential clean energy credit.
- Sec. 21007. Reinstatement of special rate for sustainable aviation fuel.

Subtitle B—Lowering Costs Through Energy Efficiency

- Sec. 22001. Energy efficient home improvement credit.
- Sec. 22002. New energy efficient home credit.
- Sec. 22003. Repeal of termination of new energy efficient commercial buildings deduction.
- Sec. 22004. Restoration of cost recovery for energy property.

Subtitle C—Lowering Costs for Electric Vehicles and Charging Infrastructure

- Sec. 23001. Reversion of termination date for previously-owned vehicle credit.
- Sec. 23002. Reversion of termination date for clean vehicle credit.
- Sec. 23003. Qualified commercial clean vehicles credit.
- Sec. 23004. Reversion of termination date for alternative fuel vehicle refueling property credit.
- Sec. 23005. Credit for certain new electric bicycles.

Subtitle D—Lowering Costs of Clean Infrastructure and Resiliency

- Sec. 24001. Qualifying water reuse project credit.
- Sec. 24002. Recycling property investment credit.
- Sec. 24003. Exclusion of amounts received from State-based catastrophe loss mitigation programs.
- Sec. 24004. Exclusion from gross income of certain emergency agricultural assistance.
- Sec. 24005. Credit for disaster mitigation expenditures.
- Sec. 24006. Establishment of electric power transmission line credit.
- Sec. 24007. Qualifying advanced battery project credit.

TITLE III—CHILD AND DEPENDENT CARE

Subtitle A—Child Tax Credit

- Sec. 31001. Establishment of refundable child tax credit with monthly advance payment.

Subtitle B—Child and Dependent Care

- Sec. 32001. Enhancement of Child and Dependent Care Tax Credit.
- Sec. 32002. Increased maximum contribution to dependent care assistance programs.
- Sec. 32003. Credit for working family caregivers.
- Sec. 32004. Licensed family child care credit.

Subtitle C—Ensuring Affordable Adoptions

- Sec. 33001. Refundable adoption tax credit.

TITLE IV—EDUCATION AND WORKFORCE TRAINING

Subtitle A—Ensuring Affordable Higher Education

- Sec. 41001. American opportunity credit expanded to 6 years, made temporarily fully refundable.
- Sec. 41002. Expansion of Pell Grant exclusion from gross income.
- Sec. 41003. Expansion of American Opportunity and Lifetime Learning Credits.
- Sec. 41004. Elimination of denial of American Opportunity Tax Credit for students convicted of a felony drug offense.
- Sec. 41005. Modification of treatment of student loan forgiveness.
- Sec. 41006. Student loan interest deduction limitation applied separately to each spouse.

Subtitle B—Supporting Our Workforce

- Sec. 42001. Educator expense deduction to include early childhood educators.
- Sec. 42002. Allowance of deduction for certain expenses of the trade or business of being an employee.
- Sec. 42003. Modification of deduction for cash tips.
- Sec. 42004. Deduction for certain overtime compensation.
- Sec. 42005. Above-the-line deduction of expenses of performing artists.
- Sec. 42006. Permanent extension of earned income credit rules for individuals without qualifying children.
- Sec. 42007. Application of earned income credit to possessions of the United States.
- Sec. 42008. Election to use prior year earned income for earned income tax credit.

TITLE V—HEALTHCARE

- Sec. 50001. Increase in eligibility for health insurance premium assistance tax credit.
- Sec. 50002. Filling the coverage gap.
- Sec. 50003. Freeze of premium adjustment percentage increase.
- Sec. 50004. Requiring coverage of certain immunizations recommended by the Advisory Committee on Immunization Practices.

1 **TITLE I—HOUSING AND**
2 **MUNICIPAL INFRASTRUCTURE**
3 **Subtitle A—Low-income Housing**
4 **Credit**

5 **PART 1—REFORM OF STATE ALLOCATION**
6 **FORMULAS**

7 **SEC. 11101. INCREASES IN STATE ALLOCATIONS.**

8 (a) **IN GENERAL.**—Clause (ii) of section 42(h)(3)(C)
9 of the Internal Revenue Code of 1986 is amended—

10 (1) in subclause (I), by striking “\$1.75” and
11 inserting “the per capita amount”, and

12 (2) in subclause (II), by striking “\$2,000,000”
13 and inserting “the minimum amount”.

14 (b) **PER CAPITA AMOUNT; MINIMUM AMOUNT.**—Sec-
15 tion 42(h)(3) of the Internal Revenue Code of 1986 is
16 amended by striking subparagraphs (H) and (I) and in-
17 serting the following:

18 “(H) **PER CAPITA AMOUNT.**—For purposes
19 of subparagraph (C)(ii)(I), the per capita
20 amount shall be determined as follows:

21 “(i) **CALENDAR YEAR 2026.**—For cal-
22 endar year 2026, the per capita amount is
23 \$4.25.

1 “(ii) CALENDAR YEAR 2027.—For cal-
2 endar year 2027, the per capita amount is
3 the product of—

4 “(I) 1.25, and

5 “(II) the dollar amount under
6 clause (i) increased by an amount
7 equal to—

8 “(aa) such dollar amount,
9 multiplied by

10 “(bb) the cost-of-living ad-
11 justment determined under sec-
12 tion 1(f)(3) for such calendar
13 year, determined by substituting
14 ‘calendar year 2025’ for ‘cal-
15 endar year 2016’ in subpara-
16 graph (A)(ii) thereof.

17 If the amount determined after appli-
18 cation of the preceding sentence is not
19 a multiple of \$5,000, such amount
20 shall be rounded to the next lowest
21 multiple of \$5,000.

22 “(iii) CALENDAR YEARS AFTER
23 2027.—In the case of any calendar year
24 after 2027, the per capita amount is the

1 dollar amount determined under clause (ii)
2 increased by an amount equal to—

3 “(I) such dollar amount, multi-
4 plied by

5 “(II) the cost-of-living adjust-
6 ment determined under section 1(f)(3)
7 for such calendar year, determined by
8 substituting ‘calendar year 2026’ for
9 ‘calendar year 2016’ in subparagraph
10 (A)(ii) thereof.

11 Any amount increased under the preceding
12 sentence which is not a multiple of 5 cents
13 shall be rounded to the next lowest mul-
14 tiple of 5 cents.

15 “(I) MINIMUM AMOUNT.—For purposes of
16 subparagraph (C)(ii)(II), the minimum amount
17 shall be determined as follows:

18 “(i) CALENDAR YEAR 2026.—For cal-
19 endar year 2026, the minimum amount is
20 \$4,876,000.

21 “(ii) CALENDAR YEAR 2027.—For cal-
22 endar year 2027, the minimum amount is
23 the product of—

24 “(I) 1.25, and

1 “(II) the dollar amount under
2 clause (i) increased by an amount
3 equal to—

4 “(aa) such dollar amount,
5 multiplied by

6 “(bb) the cost-of-living ad-
7 justment determined under sec-
8 tion 1(f)(3) for such calendar
9 year, determined by substituting
10 ‘calendar year 2025’ for ‘cal-
11 endar year 2016’ in subpara-
12 graph (A)(ii) thereof.

13 If the amount determined after appli-
14 cation of the preceding sentence is not
15 a multiple of 5 cents, such amount
16 shall be rounded to the next lowest
17 multiple of 5 cents.

18 “(iii) CALENDAR YEARS AFTER
19 2027.—In the case of any calendar year
20 after 2027, the minimum amount is the
21 dollar amount determined under clause (ii)
22 increased by an amount equal to—

23 “(I) such dollar amount, multi-
24 plied by

1 it meets the minimum requirements of section
2 42(g)(1)(C).”.

3 (b) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to elections made under section
5 142(d)(1) of the Internal Revenue Code of 1986 after
6 March 23, 2018.

7 **SEC. 11202. CODIFICATION OF RULES RELATING TO IN-**
8 **CREASED TENANT INCOME.**

9 (a) **IN GENERAL.**—Clause (i) of section 42(g)(2)(D)
10 is amended by striking “clauses (ii), (iii), and (iv)” and
11 all that follows and inserting “clauses (ii), (iii), (iv), and
12 (vi), notwithstanding an increase in the income of the oc-
13 cupants above the income limitation applicable under
14 paragraph (1)—

15 “(I) a low-income unit shall con-
16 tinue to be treated as a low-income
17 unit if the income of such occupants
18 initially was 60 percent or less of area
19 median gross income and such unit
20 continues to be rent-restricted, and

21 “(II) a unit to which, at the time
22 of initial occupancy by such occu-
23 pants, any Federal, State, or local
24 government income restriction ap-
25 plied, and which subsequently becomes

1 part of a building with respect to
2 which rehabilitation expenditures are
3 taken into account under subsection
4 (e), shall be treated as a low-income
5 unit if the income of such occupants
6 initially was 60 percent or less of area
7 median gross income and does not ex-
8 ceed 120 percent of area median gross
9 income as of the date of acquisition of
10 the property by the taxpayer.”.

11 (b) EXCEPTION.—Subparagraph (D) of section
12 42(g)(2) is amended by adding at the end the following
13 new clause:

14 “(vi) EXCEPTION TO RULE RELATING
15 TO INCREASED TENANT INCOME.—In the
16 case of an occupant of a low-income unit
17 who initially qualified to occupy such unit
18 by reason of paragraph (1)(C) with an in-
19 come in excess of 60 percent of area me-
20 dian gross income but not in excess of 80
21 percent of area median gross income,
22 clause (i) shall be applied for substituting
23 ‘80 percent’ for ‘60 percent’ each place it
24 appears.”.

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

4 **SEC. 11203. MODIFICATION OF STUDENT OCCUPANCY**
5 **RULES.**

6 (a) IN GENERAL.—Subparagraph (D) of section
7 42(i)(3) is amended to read as follows:

8 “(D) RULES RELATING TO STUDENTS.—

9 “(i) IN GENERAL.—A unit occupied
10 solely by individuals who—

11 “(I) have not attained age 24,
12 and

13 “(II) are enrolled in a full-time
14 course of study at an institution of
15 higher education (as defined in section
16 3304(f)),

17 shall not be treated as a low-income unit.

18 “(ii) EXCEPTION FOR CERTAIN FED-
19 ERAL PROGRAMS.—In the case of a feder-
20 ally-assisted building (as defined in sub-
21 section (d)(6)(C)(i)), clause (i) shall not
22 apply to a unit all of the occupants of
23 which meet all applicable requirements
24 under the housing program described in

1 such subsection through which the building
2 is assisted, financed, or operated.

3 “(iii) OTHER EXCEPTIONS.—An indi-
4 vidual shall not be treated as described in
5 clause (i) if the individual meets the in-
6 come limitation applicable under subsection
7 (g)(1) to the project of which the building
8 is a part and—

9 “(I) is married,

10 “(II) is a person with disabilities
11 (as defined in section 3(b)(3)(E) of
12 the United States Housing Act of
13 1937),

14 “(III) is a veteran (as defined in
15 section 101(2) of title 38, United
16 States Code),

17 “(IV) has 1 or more qualifying
18 children (as defined in section
19 152(c)),

20 “(V) is or has been a victim or
21 threatened victim of domestic violence,
22 dating violence, sexual assault, or
23 stalking (as defined in section 40002
24 of the Violence Against Women Act of
25 1994),

1 “(VI) is or has been a victim of
2 any form of human trafficking, or

3 “(VII) is, or was prior to attain-
4 ing the age of majority—

5 “(aa) an emancipated minor
6 or in legal guardianship as deter-
7 mined by a court of competent
8 jurisdiction in the individual’s
9 State of legal residence,

10 “(bb) under the care and
11 placement responsibility of the
12 State agency responsible for ad-
13 ministering a plan under part B
14 or part E of title IV of the Social
15 Security Act, or

16 “(cc) an unaccompanied
17 youth (within the meaning of sec-
18 tion 725(6) of the McKinney-
19 Vento Homeless Assistance Act
20 (42 U.S.C. 11434a(6))) or a
21 homeless child or youth (within
22 the meaning of section 725(2) of
23 such Act (42 U.S.C.
24 11434a(2))).

1 For purposes of subclause (VI), an in-
2 dividual is or has been a victim of
3 human trafficking if such individual
4 was subjected to an act or practice de-
5 scribed in paragraph (11) or (12) of
6 section 103 of the Trafficking Victims
7 Protection Act of 2000.”.

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

11 **SEC. 11204. TENANT VOUCHER PAYMENTS TAKEN INTO AC-**
12 **COUNT AS RENT FOR CERTAIN PURPOSES.**

13 (a) IN GENERAL.—Subparagraph (B) of section
14 42(g)(2) is amended by adding at the end the following
15 new sentence: “In the case of a project with respect to
16 which the taxpayer elects the requirements of subpara-
17 graph (C) of paragraph (1), or the portion of a project
18 to which subsection (d)(5)(C) applies, clause (i) shall not
19 apply with respect to any tenant-based assistance (as de-
20 fined in section 8(f)(7) of the United States Housing Act
21 of 1937 (42 U.S.C. 1437f(f)(7))).”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to rent paid in taxable years begin-
24 ning after December 31, 2025.

1 **SEC. 11205. REQUIREMENT THAT LOW-INCOME HOUSING**
2 **CREDIT-SUPPORTED HOUSING PROTECT VIC-**
3 **TIMS OF DOMESTIC ABUSE.**

4 (a) IN GENERAL.—Subparagraph (B) of section
5 42(h)(6) is amended by striking “and” at the end of
6 clause (v), by striking the period at the end of clause (vi)
7 and inserting “, and”, and by adding at the end the fol-
8 lowing new clause:

9 “(vii) which—

10 “(I) prohibits the refusal to lease
11 to, or termination of a lease by, a per-
12 son solely on the basis of criminal ac-
13 tivity directly relating to domestic vio-
14 lence, dating violence, sexual assault,
15 or stalking that is engaged in by a
16 member of the household of the ten-
17 ant or any guest or other person
18 under the control of the tenant, if the
19 tenant or an affiliated individual of
20 the tenant is the victim or threatened
21 victim of such domestic violence, dat-
22 ing violence, sexual assault, or stalk-
23 ing, and

24 “(II) allows prospective, present,
25 or former occupants of the building

1 the right to enforce in any State court
2 the prohibition of subclause (I).”.

3 (b) BIFURCATION.—

4 (1) IN GENERAL.—Subparagraph (B) of section
5 42(h)(6), as amended by subsection (a), is further
6 amended by adding at the end the following new
7 flush sentence:

8 “For purposes of clause (vii)(I), rules similar to
9 the rules of section 41411(b)(3)(B) of the Vio-
10 lence Against Women Act of 1994 shall apply
11 with respect to the owner or manager of a
12 building.”.

13 (2) EFFECT OF BIFURCATION.—Paragraph (2)
14 of section 42(g) is amended by adding at the end the
15 following new subparagraph:

16 “(F) TREATMENT OF BIFURCATION IN
17 CASES OF DOMESTIC VIOLENCE.—In any case
18 in which—

19 “(i) an occupant is evicted or removed
20 from a low-income unit because such occu-
21 pant has engaged in criminal activity di-
22 rectly relating to domestic violence, dating
23 violence, sexual assault, or stalking against
24 an affiliated individual or other individual
25 on the basis of criminal activity directly re-

1 lating to domestic violence, dating violence,
2 sexual assault, or stalking, and

3 “(ii) the lease on such unit is bifur-
4 cated as provided in the last sentence of
5 subsection (h)(6)(B),

6 then the remaining occupants of such low-in-
7 come unit shall not be treated as a new tenant
8 for purposes of this section.”.

9 (c) CLARIFICATION OF GENERAL PUBLIC USE RE-
10 QUIREMENT.—Paragraph (9) of section 42(g) is amended
11 by striking “or” at the end of subparagraph (B), by strik-
12 ing the period at the end of subparagraph (C) and insert-
13 ing “, or”, and by adding at the end the following new
14 subparagraph:

15 “(D) who are victims or threatened victims
16 of criminal activity directly relating to domestic
17 violence, dating violence, sexual assault, or
18 stalking.”.

19 (d) EFFECTIVE DATES.—

20 (1) IN GENERAL.—Except as provided in para-
21 graph (2), the amendments made by this section
22 shall apply to agreements executed or modified on or
23 after the date that is 30 days after the date of the
24 enactment of this Act.

1 (2) PUBLIC USE REQUIREMENT.—The amend-
2 ments made by subsection (c) shall apply to build-
3 ings placed in service before, on, or after the date
4 of the enactment of this Act.

5 **SEC. 11206. CLARIFICATION OF GENERAL PUBLIC USE RE-**
6 **QUIREMENT RELATING TO VETERANS, ETC.**

7 (a) IN GENERAL.—Paragraph (9) of section 42(g),
8 as amended by section 11205, is further amended by add-
9 ing at the end the following flush language:

10 “Any veteran of the Armed Forces shall be treated
11 as a member of a specified group under a Federal
12 program for purposes of subparagraph (B).”.

13 (b) QUALIFIED RESIDENTIAL RENTAL PROJECTS.—
14 Paragraph (2) of section 142(d) is amended by adding at
15 the end the following new subparagraph:

16 “(F) CLARIFICATION OF GENERAL PUBLIC
17 USE REQUIREMENT.—A unit shall not fail to
18 meet the general public use requirement solely
19 because of occupancy restrictions or pref-
20 erences, if such restrictions or preferences meet
21 the general public use requirement of section
22 42.”.

23 (c) EFFECTIVE DATES.—

24 (1) IN GENERAL.—The amendment made by
25 subsection (a) shall apply to buildings placed in serv-

1 ice before, on, or after the date of the enactment of
2 this Act.

3 (2) QUALIFIED RESIDENTIAL RENTAL
4 PROJECTS.—The amendment made by subsection (b)
5 shall apply to bonds issued before, on, or after the
6 date of the enactment of this Act.

7 **PART 3—RULES RELATING TO CREDIT**

8 **ELIGIBILITY AND DETERMINATION**

9 **SEC. 11301. RECONSTRUCTION OR REPLACEMENT PERIOD**
10 **AFTER CASUALTY LOSS.**

11 (a) NO RECAPTURE FOLLOWING CASUALTY LOSS.—
12 Subparagraph (E) of section 42(j)(4) is amended to read
13 as follows:

14 “(E) NO RECAPTURE BY REASON OF CAS-
15 UALTY LOSS.—

16 “(i) IN GENERAL.—The increase in
17 tax under this subsection shall not apply to
18 a reduction in qualified basis by reason of
19 a casualty loss to the extent such loss is
20 restored by reconstruction or replacement
21 within a reasonable period established by
22 the applicable housing credit agency, not to
23 exceed 25 months from the date on which
24 the qualified casualty loss arises.

1 “(ii) QUALIFIED CASUALTY LOSSES.—

2 In the case of a qualified casualty loss, the
3 period described in clause (i) may be ex-
4 tended, but not in excess of 12 months, if
5 the applicable housing credit agency deter-
6 mines the qualified casualty arose by rea-
7 son of an event which was not discrete to
8 the building and which made a reconstruc-
9 tion or replacement within 25 months im-
10 practical. In the event the applicable hous-
11 ing credit agency determines a period in
12 excess of 25 months is necessary for such
13 reconstruction or replacement, the compli-
14 ance period shall be increased by any such
15 additional time.

16 “(iii) APPLICATION.—The determina-
17 tion under paragraph (1) shall not be
18 made with respect to a property the basis
19 of which is affected by a qualified casualty
20 loss until the period described in clause (i)
21 (as modified by clause (ii), if applicable)
22 with respect to such property has expired.

23 “(iv) QUALIFIED CASUALTY LOSS.—
24 For purposes of this subparagraph, the
25 term ‘qualified casualty loss’ means a cas-

1 ualty loss that is the result of a federally
2 declared disaster (as defined in section
3 165(i)(5)).”.

4 (b) QUALIFIED BASIS FOLLOWING CASUALTY
5 LOSS.—Paragraph (1) of section 42(c) is amended by
6 adding at the end the following new subparagraph:

7 “(F) QUALIFIED BASIS FOLLOWING CAS-
8 UALTY LOSS.—If a casualty causes the qualified
9 basis of a building in any year to be less than
10 the qualified basis in the immediately preceding
11 year then, in the year of such casualty and each
12 succeeding year until such building or the units
13 affected by the casualty are reconstructed or re-
14 placed (but only through the last year of the pe-
15 riod permitted for reconstruction or replace-
16 ment under subsection (j)(4)(E))—

17 “(i) the qualified basis of such build-
18 ing shall be equal to the qualified basis of
19 such building as of the last day of the year
20 preceding the year in which such casualty
21 occurred,

22 “(ii) if such building is not recon-
23 structed or replaced by the expiration of
24 the applicable period for such reconstruc-
25 tion or replacement under subsection

1 (j)(4), then the recapture amount provided
2 for in subsection (j)(1) shall include the
3 amount of any credit claimed under this
4 section by reason of the application of
5 clause (i), and

6 “(iii) a building which was a qualified
7 low-income building as of the last day of
8 the year preceding the year in which such
9 casualty occurred shall not cease to be a
10 qualified low-income building solely be-
11 cause of such casualty.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to casualties occurring after De-
14 cember 31, 2025.

15 **SEC. 11302. MODIFICATION OF PREVIOUS OWNERSHIP**
16 **RULES; LIMITATION ON ACQUISITION BASIS.**

17 (a) IN GENERAL.—Clause (ii) of section 42(d)(2)(B)
18 is amended by inserting “, or the taxpayer elects the appli-
19 cation of subparagraph (C)(ii)” after “service”.

20 (b) LIMITATION ON ACQUISITION BASIS.—Subpara-
21 graph (C) of section 42(d)(2) is amended—

22 (1) by striking “For purposes of subparagraph
23 (A), the adjusted basis” and inserting “For pur-
24 poses of subparagraph (A)—

1 “(i) IN GENERAL.—The adjusted
2 basis”, and

3 (2) by adding at the end the following new
4 clauses:

5 “(ii) BUILDINGS IN SERVICE WITHIN
6 PREVIOUS 10 YEARS.—If the period be-
7 tween the date of acquisition of the build-
8 ing by the taxpayer and the date the build-
9 ing was last placed in service is less than
10 10 years, the taxpayer’s basis attributable
11 to the acquisition of the building which is
12 taken into account in determining the ad-
13 justed basis shall not exceed the sum of—

14 “(I) the lowest amount paid for
15 acquisition of the building by any per-
16 son during the 10 years preceding the
17 date of the acquisition of the building
18 by the taxpayer, adjusted as provided
19 in clause (iii), and

20 “(II) the value of any capital im-
21 provements made by the person who
22 sells the building to the taxpayer
23 which are reflected in such seller’s
24 basis.

1 “(iii) ADJUSTMENT.—With respect to
2 a basis determination made in any taxable
3 year, the amount described in clause (ii)(I)
4 shall be increased by an amount equal to—
5 “(I) such amount, multiplied by
6 “(II) a cost-of-living adjustment,
7 determined in the same manner as
8 under section 1(f)(3) for the calendar
9 year in which the taxable year begins
10 by taking into account the acquisition
11 year in lieu of calendar year 1992.

12 For purposes of the preceding sentence,
13 the acquisition year is the calendar year in
14 which the lowest amount referenced in
15 clause (ii)(I) was paid for the acquisition
16 of the building.”.

17 (c) CONFORMING AMENDMENTS.—Clause (i) of sec-
18 tion 42(d)(2)(D) is amended—

19 (1) by striking “FOR SUBPARAGRAPH (B)” in
20 the heading, and

21 (2) by striking “subparagraph (B)(ii)” in the
22 matter preceding subclause (I) and inserting “sub-
23 paragraph (B)(ii) or (C)(ii)”.

1 (d) MODIFICATION OF PLACED IN SERVICE RULE.—
2 Clause (iii) of section 42(d)(2)(B) is amended to read as
3 follows:

4 “(iii) the building was not owned by
5 the taxpayer or by any person related (as
6 of the date of acquisition by the taxpayer)
7 to the taxpayer at any time during the 5-
8 year period ending on the date of acqui-
9 sition by the taxpayer, and”.

10 (e) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to buildings placed in service after
12 December 31, 2025.

13 **SEC. 11303. CERTAIN RELOCATION COSTS TAKEN INTO AC-**
14 **COUNT AS REHABILITATION EXPENDITURES.**

15 (a) IN GENERAL.—Paragraph (2) of section 42(e) is
16 amended by adding at the end the following new subpara-
17 graph:

18 “(C) CERTAIN RELOCATION COSTS.—In
19 the case of a rehabilitation of a building to
20 which section 280B does not apply, costs relat-
21 ing to the relocation of occupants, including—

22 “(i) amounts paid to occupants,

23 “(ii) amounts paid to third parties for
24 services relating to such relocation, and

1 “(iii) amounts paid for temporary
2 housing for occupants,
3 shall be treated as chargeable to capital account
4 and taken into account as rehabilitation ex-
5 penditures.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to expenditures paid or incurred
8 after December 31, 2025.

9 (c) NO INFERENCE.—Nothing in the amendment
10 made by this section shall be construed to create any infer-
11 ence with respect to the treatment of relocation costs paid
12 or incurred before January 1, 2026.

13 **SEC. 11304. REPEAL OF QUALIFIED CENSUS TRACT POPU-**
14 **LATION CAP.**

15 (a) IN GENERAL.—Clause (ii) of section 42(d)(5)(B)
16 is amended—

17 (1) by striking subclauses (II) and (III), and

18 (2) by striking “QUALIFIED CENSUS TRACT.—

19 “(I) IN GENERAL.—The term”,

20 and inserting “QUALIFIED CENSUS TRACT.—The
21 term”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to designations of qualified census
24 tracts under section 42(d)(5)(B)(ii) of the Internal Rev-
25 enue Code of 1986 after December 31, 2025.

1 **SEC. 11305. DETERMINATION OF COMMUNITY REVITALIZA-**
2 **TION PLAN TO BE MADE BY HOUSING CREDIT**
3 **AGENCY.**

4 (a) IN GENERAL.—Subclause (III) of section
5 42(m)(1)(B)(ii) is amended by inserting “, as determined
6 by the housing credit agency according to criteria estab-
7 lished by such agency,” after “(d)(5)(B)(ii) and”.

8 (b) CRITERIA.—Paragraph (1) of section 42(m) is
9 amended by adding at the end the following new subpara-
10 graph:

11 “(E) CRITERIA FOR DETERMINATION RE-
12 LATING TO CONCERTED COMMUNITY REVITAL-
13 IZATION PLAN.—For purposes of subparagraph
14 (B)(ii)(III), the criteria which shall be estab-
15 lished by a housing credit agency for deter-
16 mining whether the development of a project
17 contributes to a concerted community develop-
18 ment plan shall take into account any factors
19 the agency deems appropriate, including the ex-
20 tent to which the proposed plan—

21 “(i) is geographically specific,

22 “(ii) outlines a clear plan for imple-
23 mentation and goals for outcomes,

24 “(iii) includes a strategy for applying
25 for or obtaining commitments of public or

1 private investment (or both) in nonhousing
2 infrastructure, amenities, or services, and
3 “(iv) demonstrates the need for com-
4 munity revitalization.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to allocations of housing credit dol-
7 lar amounts made under qualified allocation plans (as de-
8 fined in section 42(m)(1)(B) of the Internal Revenue Code
9 of 1986) adopted after December 31, 2025.

10 **SEC. 11306. PROHIBITION OF LOCAL APPROVAL AND CON-**
11 **TRIBUTION REQUIREMENTS.**

12 (a) IN GENERAL.—Paragraph (1) of section 42(m),
13 as amended by section 11305, is further amended—

14 (1) by striking clause (ii) of subparagraph (A)
15 and by redesignating clauses (iii) and (iv) thereof as
16 clauses (ii) and (iii), and

17 (2) by adding at the end the following new sub-
18 paragraph:

19 “(F) LOCAL APPROVAL OR CONTRIBUTION
20 NOT TAKEN INTO ACCOUNT.—The selection cri-
21 teria under a qualified allocation plan shall not
22 include consideration of—

23 “(i) any support or opposition with re-
24 spect to the project from local or elected
25 officials, or

1 were 30 percent of area median gross in-
2 come) in which are designated by the tax-
3 payer for occupancy by households the ag-
4 gregate household income of which does
5 not exceed the greater of—

6 “(I) 30 percent of area median
7 gross income, or

8 “(II) 100 percent of an amount
9 equal to the Federal poverty line
10 (within the meaning of section
11 36B(d)(3)), and

12 “(ii) which is designated by the hous-
13 ing credit agency as requiring the increase
14 in credit under this subparagraph in order
15 for such building to be financially feasible
16 as part of a qualified low-income housing
17 project,

18 subparagraph (B) shall not apply to the portion
19 of such building which is comprised of such
20 units (determined in a manner similar to the
21 unit fraction under subsection (c)(1)(C)), and
22 the eligible basis of such portion of the building
23 shall be 150 percent of such basis determined
24 without regard to this subparagraph.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to buildings which receive alloca-
3 tions of housing credit dollar amount after the date of en-
4 actment of this Act, or in the case of buildings that are
5 described in section 42(h)(4)(B) of the Internal Revenue
6 Code of 1986, for obligations that are part of an issue
7 the issue date of which is after December 31, 2025.

8 **SEC. 11308. INCREASE IN CREDIT FOR BOND-FINANCED**
9 **PROJECTS DESIGNATED BY STATE AGENCY.**

10 (a) IN GENERAL.—Clause (v) of section 42(d)(5)(B)
11 is amended by striking the second sentence.

12 (b) TECHNICAL AMENDMENT.—Clause (v) of section
13 42(d)(5)(B), as amended by subsection (a), is further
14 amended—

15 (1) by striking “STATE” in the heading, and

16 (2) by striking “State housing credit agency”
17 and inserting “housing credit agency”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to buildings that are described in
20 section 42(h)(4)(B) of the Internal Revenue Code of 1986,
21 taking into account only obligations that are part of an
22 issue the issue date of which is after December 31, 2025.

1 **SEC. 11309. ELIMINATION OF BASIS REDUCTION FOR LOW-**
2 **INCOME HOUSING PROPERTIES ENERGY EF-**
3 **FICIENT COMMERCIAL BUILDING DEDUC-**
4 **TION.**

5 (a) **ENERGY EFFICIENT COMMERCIAL BUILDINGS**
6 **DEDUCTION.**—Subsection (e) of section 179D is amend-
7 ed—

8 (1) by striking “**REDUCTION.—For purposes**”
9 and inserting “**REDUCTION.—**

10 “(1) **IN GENERAL.—For purposes**”, and

11 (2) by adding at the end the following new
12 paragraph:

13 “(2) **EXCEPTION FOR AFFORDABLE HOUSING**
14 **PROPERTIES.—**Paragraph (1) shall not apply for
15 purposes of determining eligible basis under section
16 42.”.

17 (b) **EFFECTIVE DATE.**—The amendments made by
18 this section shall apply to buildings which receive alloca-
19 tions of housing credit dollar amount after the date of the
20 enactment of this Act and to buildings that are described
21 in section 42(h)(4)(B) of the Internal Revenue Code of
22 1986 taking into account only obligations that are part
23 of an issue the issue date of which is after December 31,
24 2025.

1 **SEC. 11310. RESTRICTION OF PLANNED FORECLOSURES.**

2 (a) IN GENERAL.—Subclause (I) of section
3 42(h)(6)(E)(i) is amended to read as follows:

4 “(I) on the 61st day after the
5 taxpayer (or a successor in interest)
6 provides notice to the Secretary and
7 the housing credit agency that the
8 building has been acquired by fore-
9 closure (or instrument in lieu of fore-
10 closure) and that the taxpayer intends
11 the termination of such period, unless,
12 before such date, the Secretary or the
13 housing credit agency determines that
14 such acquisition is part of an arrange-
15 ment with the taxpayer a purpose of
16 which is to terminate such period,
17 or”.

18 (b) CONFORMING AMENDMENT.—The second sen-
19 tence of clause (i) of section 42(h)(6)(E) is amended by
20 striking “Subclause (II)” and inserting “Subclauses (I)
21 and (II)”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to acquisitions by foreclosure (or
24 instrument in lieu of foreclosure) after December 31,
25 2025.

1 **SEC. 11311. INCREASE OF POPULATION CAP FOR DIF-**
2 **FICULT DEVELOPMENT AREAS.**

3 (a) IN GENERAL.—Subclause (II) of section
4 42(d)(5)(B)(iii) is amended by striking “20 percent” and
5 inserting “30 percent”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to designations made under section
8 42(d)(5)(B)(iii) of the Internal Revenue Code of 1986
9 after December 31, 2025.

10 **SEC. 11312. INCREASED COST OVERSIGHT AND ACCOUNT-**
11 **ABILITY.**

12 (a) IN GENERAL.—Subparagraph (C) of section
13 42(m)(1) is amended by striking “and” at the end of
14 clause (ix), by striking the period at the end of clause (x)
15 and inserting “, and”, and by adding at the end the fol-
16 lowing new clause:

17 “(xi) the reasonableness of the devel-
18 opment costs of the project.”.

19 (b) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to allocations of credits under sec-
21 tion 42 of the Internal Revenue Code of 1986 made after
22 December 31, 2025.

1 **PART 4—REFORMS RELATING TO NATIVE**

2 **AMERICAN ASSISTANCE**

3 **SEC. 11401. SELECTION CRITERIA UNDER QUALIFIED ALLO-**
4 **CATION PLANS.**

5 (a) **IN GENERAL.**—Subparagraph (C) of section
6 42(m)(1), as amended by section 11312, is further amend-
7 ed by striking “and” at the end of clause (x), by striking
8 the period at the end of clause (xi) and inserting “, and”,
9 and by adding at the end the following new clause:

10 “(xii) the affordable housing needs of
11 individuals in the State who are—

12 “(I) enrolled members of a tribe
13 with respect to an Indian tribal gov-
14 ernment (including any agencies or in-
15 strumentalities of an Indian tribal
16 government and any Alaska Native re-
17 gional or village corporation, as de-
18 fined in, or established pursuant to,
19 the Alaska Native Claims Settlement
20 Act (43 U.S.C. 1601 et seq.)), or

21 “(II) described in section 801(9)
22 of the Native American Housing As-
23 sistance and Self-Determination Act
24 of 1996 (25 U.S.C. 4221(9)).”.

25 (b) **EFFECTIVE DATE.**—The amendments made by
26 this section shall apply to allocations of credits under sec-

1 tion 42 of the Internal Revenue Code of 1986 made after
2 December 31, 2025.

3 **SEC. 11402. INCLUSION OF INDIAN AREAS AS DIFFICULT**
4 **DEVELOPMENT AREAS FOR PURPOSES OF**
5 **CERTAIN BUILDINGS.**

6 (a) IN GENERAL.—Subclause (I) of section
7 42(d)(5)(B)(iii) is amended by inserting before the period
8 the following: “, and any Indian area”.

9 (b) INDIAN AREA.—Clause (iii) of section
10 42(d)(5)(B) is amended by redesignating subclause (II)
11 as subclause (III) and by inserting after subclause (I) the
12 following new subclause:

13 “(II) INDIAN AREA.—For pur-
14 poses of subclause (I), the term ‘In-
15 dian area’ means any Indian area (as
16 defined in section 4(11) of the Native
17 American Housing Assistance and
18 Self Determination Act of 1996 (25
19 U.S.C. 4103(11))) and any housing
20 area (as defined in section 801(5) of
21 such Act (25 U.S.C. 4221(5))).”.

22 (c) ELIGIBLE BUILDINGS.—Clause (iii) of section
23 42(d)(5)(B), as amended by subsection (b), is further
24 amended by adding at the end the following new sub-
25 clause:

1 “(IV) SPECIAL RULE FOR BUILD-
2 INGS IN INDIAN AREAS.—In the case
3 of an area which is a difficult develop-
4 ment area solely because it is an In-
5 dian area, a building shall not be
6 treated as located in such area unless
7 such building is assisted or financed
8 under the Native American Housing
9 Assistance and Self Determination
10 Act of 1996 (25 U.S.C. 4101 et seq.)
11 or the project sponsor is an Indian
12 tribe (as defined in section
13 45A(c)(6)), a tribally designated hous-
14 ing entity (as defined in section 4(22)
15 of such Act (25 U.S.C. 4103(22))), or
16 wholly owned or controlled by such an
17 Indian tribe or tribally designated
18 housing entity.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to buildings placed in service after
21 December 31, 2025.

1 **PART 5—REFORMS RELATING TO RURAL**

2 **ASSISTANCE**

3 **SEC. 11501. INCLUSION OF RURAL AREAS AS DIFFICULT DE-**
4 **VELOPMENT AREAS.**

5 (a) IN GENERAL.—Subclause (I) of section
6 42(d)(5)(B)(iii), as amended by section 11402, is further
7 amended by inserting “, any rural area” after “median
8 gross income”.

9 (b) RURAL AREA.—Clause (iii) of section
10 42(d)(5)(B), as amended by section 11402, is further
11 amended by redesignating subclause (III) as subclause
12 (IV) and by inserting after subclause (II) the following
13 new subclause:

14 “(III) RURAL AREA.—For pur-
15 poses of subclause (I), the term ‘rural
16 area’ means any non-metropolitan
17 area, or any rural area as defined by
18 section 520 of the Housing Act of
19 1949, which is identified by the quali-
20 fied allocation plan under subsection
21 (m)(1)(B).”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to buildings placed in service after
24 December 31, 2025.

1 **SEC. 11502. UNIFORM INCOME ELIGIBILITY FOR RURAL**
2 **PROJECTS.**

3 (a) IN GENERAL.—Paragraph (8) of section 42(i) is
4 amended by striking the second sentence.

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

8 **PART 6—EXEMPT FACILITY BONDS**

9 **SEC. 11601. REVISION AND CLARIFICATION OF THE TREAT-**
10 **MENT OF REFUNDING ISSUES.**

11 (a) IN GENERAL.—Subparagraph (A) of section
12 146(i)(6) is amended to read as follows:

13 “(A) IN GENERAL.—During the 12-month
14 period beginning on the date of a repayment of
15 a loan financed by an issue 95 percent or more
16 of the net proceeds of which are used to provide
17 projects described in section 142(d), if such re-
18 payment is used to provide a new loan for any
19 project described in section 142(a)(7) or for
20 any purpose described in subsection (a)(2)(A)
21 or (b) of section 143, any bond which is issued
22 to refinance such issue shall be treated as a re-
23 funding issue. Any issue treated as a refunding
24 issue by reason of the preceding sentence shall
25 be so treated only to the extent the principal

1 amount of such refunding issue does not exceed
2 the principal amount of the bonds refunded.”.

3 (b) REMOVAL OF ONE-REFUNDING LIMIT.—Sub-
4 paragraph (B) of section 146(i)(6) is amended—

5 (1) by striking “4 years” in clause (i) and in-
6 serting “10 years”,

7 (2) by striking “was issued” in clause (ii) and
8 inserting “is issued”,

9 (3) by redesignating clauses (i) (as so amend-
10 ed), (ii) (as so amended), and (iii) as subclauses (I),
11 (II), and (III), respectively, and by moving such sub-
12 clauses 2 ems to the right,

13 (4) by striking “LIMITATIONS.—Subparagraph
14 (A) shall apply to only one refunding of the original
15 issue and” and inserting “LIMITATIONS.—

16 “(i) IN GENERAL.—Subparagraph (A)
17 shall apply to a bond”, and

18 (5) by adding at the end the following new
19 clause:

20 “(ii) SOURCE OF LOAN REPAY-
21 MENT.—Subparagraph (A) shall not apply
22 to any repayment of a loan which is—

23 “(I) made by a repayment of an-
24 other loan, or

1 “(II) financed by an issue treated
2 as a refunding issue under subpara-
3 graph (A).”.

4 (c) CONFORMING AMENDMENT.—The heading of
5 paragraph (6) of section 146(i) is amended by striking
6 “RESIDENTIAL RENTAL PROJECT BONDS AS REFUNDING
7 BONDS IRRESPECTIVE OF OBLIGOR” and inserting
8 “BONDS AS REFUNDING BONDS”.

9 (d) EFFECTIVE DATES.—

10 (1) IN GENERAL.—The amendments made by
11 subsections (a) and (c) shall apply to refunding
12 issues described in section 146(i)(6)(A) of the Inter-
13 nal Revenue Code of 1986 issued on or after the
14 date of the enactment of this Act.

15 (2) REMOVAL OF ONE-REFUNDING LIMIT.—The
16 amendments made by subsection (b) shall apply to
17 repayments of loans received after July 30, 2008.

1 (n) as subsection (o) and by inserting after subsection (m)
2 the following new subsection:

3 “(n) ADDITIONAL ALLOCATION FOR UNITS FOR CER-
4 TAIN POPULATIONS WHO FACE UNIQUE BARRIERS TO
5 AFFORDABLE HOUSING.—

6 “(1) IN GENERAL.—A housing credit agency
7 may allocate, in any calendar year, an amount equal
8 to 5 percent of the amount such housing credit
9 agency may allocate under subsection (h)(3)(C) to
10 projects which contain a unit described in paragraph
11 (2).

12 “(2) UNIT DESCRIBED.—A unit is described in
13 this paragraph if—

14 “(A) such unit is part of a low-income
15 housing project,

16 “(B) the housing credit agency and the
17 owner of such unit, not later than the first day
18 of the second year of the credit period of such
19 project, execute a compliance agreement,

20 “(C) the taxpayer prioritizes populations
21 who face unique barriers to affordable housing
22 for occupancy of such units, and

23 “(D) the taxpayer, in consultation with
24 covered service providers, makes available to

1 any resident of such unit appropriate supportive
2 services during the compliance period.

3 “(3) COMPLIANCE AGREEMENT.—For purposes
4 of paragraph (2)(B), the term ‘compliance agree-
5 ment’ means an agreement which—

6 “(A) requires the owner of a unit to sub-
7 mit to the housing credit agency for approval a
8 supportive service plan for each calendar year
9 during the compliance period,

10 “(B) requires the approval of the housing
11 credit agency with respect to any agreement be-
12 tween such owner and any covered service pro-
13 vider relating to services provided pursuant to
14 this subsection, and

15 “(C) allows the housing credit agency to
16 monitor compliance with such agreement and
17 with the requirements of this subsection.

18 “(4) POPULATIONS WHO FACE UNIQUE BAR-
19 RIERS TO AFFORDABLE HOUSING.—For purposes of
20 this subsection, the term ‘populations who face
21 unique barriers to affordable housing’ means individ-
22 uals who are—

23 “(A) formerly justice-involved individuals,

24 “(B) current or former foster youths, or

25 “(C) kinship caregivers.

1 “(5) COVERED SERVICE PROVIDER.—For pur-
2 poses of this subsection, the term ‘covered service
3 provider’ means any entity with demonstrated expe-
4 rience providing supportive services to populations
5 who face unique barriers to affordable housing.

6 “(6) FORMERLY JUSTICE-INVOLVED INDI-
7 VIDUAL.—For purposes of this paragraph, the term
8 ‘formerly justice-involved individual’ means an indi-
9 vidual who faces barriers to obtaining housing as a
10 result of being arrested, charged, or convicted of any
11 criminal offense.

12 “(7) CURRENT OR FORMER FOSTER YOUTH.—
13 The term ‘current or former foster youth’ means an
14 individual who was eligible at any time to receive
15 services under section 477(a) of the Social Security
16 Act.

17 “(8) NOT INCLUDED IN AGGREGATE HOUSING
18 CREDIT DOLLAR AMOUNT.—An amount allocated
19 under paragraph (1) shall not be included in the ag-
20 gregate housing credit dollar amount for any cal-
21 endar year of the State which made such allocation.

22 “(9) ENFORCEMENT.—The Secretary shall, in
23 consultation with housing credit agencies, establish
24 such mechanisms (including penalties) as the Sec-
25 retary determines appropriate to ensure that—

1 “(A) each unit with respect to which a
2 credit is allowed under paragraph (1) meets the
3 requirements described in paragraph (2), and

4 “(B) each housing credit agency which
5 makes an allocation under paragraph (1) is tak-
6 ing appropriate steps to enforce each compli-
7 ance agreement to which such housing credit
8 agency is a party under paragraph (3).”.

9 (b) **ALLOCATIONS ALLOWED IN ADDITION TO STATE**
10 **CEILING.**—Section 42(h)(1) of such Code is amended by
11 striking “the housing credit dollar amount allocated to
12 such building under this subsection” and inserting “the
13 sum of the housing credit dollar amounts allocated to such
14 building under this subsection and subsection (n)”.

15 (c) **EFFECTIVE DATE.**—The amendments made by
16 this section shall apply to calendar years beginning after
17 2026.

18 **PART 9—QUALIFIED CONTRACTS AND RIGHT OF**

19 **FIRST REFUSAL**

20 **SEC. 11901. REPEAL OF QUALIFIED CONTRACT OPTION.**

21 (a) **TERMINATION OF OPTION FOR CERTAIN BUILD-**
22 **INGS.**—

23 (1) **IN GENERAL.**—Subclause (II) of section
24 42(h)(6)(E)(i) is amended by inserting “in the case

1 of a building described in clause (iii),” before “on
2 the last day”.

3 (2) BUILDINGS DESCRIBED.—Subparagraph
4 (E) of section 42(h)(6) is amended by adding at the
5 end the following new clause:

6 “(iii) BUILDINGS DESCRIBED.—A
7 building described in this clause is a build-
8 ing—

9 “(I) which received its allocation
10 of housing credit dollar amount before
11 January 1, 2026, or

12 “(II) in the case of a building
13 any portion of which is financed as
14 described in paragraph (4), and which
15 received before January 1, 2026,
16 under the rules of paragraphs (1) and
17 (2) of subsection (m), a determination
18 from the issuer of the tax-exempt
19 bonds or the housing credit agency
20 that the building would be eligible
21 under the qualified allocation plan to
22 receive an allocation of housing credit
23 dollar amount or that the credits to be
24 earned are necessary for financial fea-
25 sibility of the project and its viability

1 as a qualified low-income housing
2 project throughout the credit period.”.

3 (b) RULES RELATING TO EXISTING PROJECTS.—

4 Subparagraph (F) of section 42(h)(6) is amended by strik-
5 ing “the nonlow-income portion” and all that follows and
6 inserting “the nonlow-income portion and the low-income
7 portion of the building for fair market value (determined
8 by the housing credit agency by taking into account the
9 rent restrictions required for the low-income portion of the
10 building to continue to meet the standards of paragraphs
11 (1) and (2) of subsection (g)). The Secretary shall pre-
12 scribe such regulations as may be necessary or appropriate
13 to carry out this paragraph.”.

14 (c) CONFORMING AMENDMENTS.—

15 (1) Paragraph (6) of section 42(h) is amended
16 by striking subparagraph (G) and by redesignating
17 subparagraphs (H), (I), (J), and (K) as subpara-
18 graphs (G), (H), (I), and (J), respectively.

19 (2) Subclause (II) of section 42(h)(6)(E)(i) is
20 amended by striking “subparagraph (I)” and insert-
21 ing “subparagraph (H)”.

22 (d) EFFECTIVE DATES.—

23 (1) IN GENERAL.—Except as provided in para-
24 graph (2), the amendments made by this section

1 shall take effect on the date of the enactment of this
2 Act.

3 (2) SUBSECTION (b).—The amendments made
4 by subsection (b) shall apply to buildings with re-
5 spect to which a written request described in section
6 42(h)(6)(H) of the Internal Revenue Code of 1986,
7 as redesignated by subsection (c), is submitted after
8 the date of the enactment of this Act.

9 **SEC. 11902. MODIFICATION AND CLARIFICATION OF**
10 **RIGHTS RELATING TO BUILDING PURCHASE.**

11 (a) MODIFICATION OF RIGHT OF FIRST REFUSAL.—

12 (1) IN GENERAL.—Subparagraph (A) of section
13 42(i)(7) is amended by striking “a right of 1st re-
14 fusal” and inserting “an option”.

15 (2) CONFORMING AMENDMENT.—The heading
16 of paragraph (7) of section 42(i) is amended by
17 striking “RIGHT OF 1ST REFUSAL” and inserting
18 “OPTION”.

19 (b) CLARIFICATION WITH RESPECT TO RIGHT OF
20 FIRST REFUSAL AND PURCHASE OPTIONS.—

21 (1) PURCHASE OF PARTNERSHIP INTEREST.—

22 (A) IN GENERAL.—Subparagraph (A) of
23 section 42(i)(7), as amended by subsection (a),
24 is amended by striking “the property” and in-
25 serting “the property or all of the partnership

1 interests (other than interests of the person ex-
2 exercising such option or a related party thereto
3 (within the meaning of section 267(b) or
4 707(b)(1))) relating to the property”.

5 (B) APPLICATION TO S CORPORATIONS
6 AND OTHER PASS-THROUGH ENTITIES.—Sub-
7 paragraph (A) of section 42(i)(7) is amended
8 by adding at the end the following: “Except as
9 provided by the Secretary, the rules of this
10 paragraph shall apply to S corporations and
11 other pass-through entities in the same manner
12 as such rules apply to partnerships.”.

13 (C) CONFORMING AMENDMENT.—Subpara-
14 graph (B) of section 42(i)(7) is amended by
15 adding at the end the following: “In the case of
16 a purchase of all of the partnership interests,
17 the minimum purchase price under this sub-
18 paragraph shall be an amount not less than the
19 sum of the interests’ shares of the amount
20 which would be determined with respect to the
21 property under this subparagraph without re-
22 gard to this sentence.”.

23 (2) PROPERTY INCLUDES ASSETS RELATING TO
24 THE BUILDING.—Paragraph (7) of section 42(i) is

1 amended by adding at the end the following new
2 subparagraph:

3 “(C) PROPERTY.—For purposes of sub-
4 paragraph (A), the term ‘property’ may include
5 all or any of the assets held for the develop-
6 ment, operation, or maintenance of a build-
7 ing.”.

8 (3) EXERCISE OF RIGHT OF FIRST REFUSAL
9 AND PURCHASE OPTIONS.—Subparagraph (A) of
10 section 42(i)(7), as amended by subsection (a) and
11 paragraph (1)(A), is amended by adding at the end
12 the following: “For purposes of determining whether
13 an option, including a right of first refusal, to pur-
14 chase property or all of the partnership interests
15 holding (directly or indirectly) such property is de-
16 scribed in the preceding sentence—

17 “(i) such option or right of first re-
18 fusal shall be exercisable with or without
19 the approval of any owner of the project
20 (including any partner, member, or affili-
21 ated organization of such an owner), and

22 “(ii) a right of first refusal shall be
23 exercisable in response to any offer to pur-
24 chase the property or all of the partnership

1 interests, including an offer by a related
2 party.”.

3 (c) OTHER CONFORMING AMENDMENT.—Subpara-
4 graph (B) of section 42(i)(7), as amended by subsection
5 (b), is amended by striking “the sum of” and all that fol-
6 lows through “application of clause (ii).” and inserting the
7 following: “the principal amount of outstanding indebted-
8 ness secured by the building (other than indebtedness in-
9 curred within the 5-year period ending on the date of the
10 sale to the tenants).”.

11 (d) EFFECTIVE DATES.—

12 (1) MODIFICATION OF RIGHT OF FIRST RE-
13 FUSAL.—The amendments made by subsections (a)
14 and (c) shall apply to agreements entered into or
15 amended after the date of the enactment of this Act.

16 (2) CLARIFICATION.—The amendments made
17 by subsection (b) shall apply to agreements among
18 the owners of the project (including partners, mem-
19 bers, and their affiliated organizations) and persons
20 described in section 42(i)(7)(A) of the Internal Rev-
21 enue Code of 1986 entered into before, on, or after
22 the date of the enactment of this Act.

23 (3) NO EFFECT ON AGREEMENTS.—None of the
24 amendments made by this section is intended to su-
25 percede express language in any agreement with re-

1 spect to the terms of a right of first refusal or op-
2 tion permitted by section 42(i)(7) of the Internal
3 Revenue Code of 1986 in effect on the date of the
4 enactment of this Act.

5 **Subtitle B—Additional Housing**
6 **Incentives**

7 **SEC. 12001. INVESTMENT CREDIT FOR CONVERSION OF**
8 **NON-RESIDENTIAL BUILDINGS TO AFFORD-**
9 **ABLE HOUSING.**

10 (a) IN GENERAL.—Subpart E of part IV of sub-
11 chapter A of chapter 1 is amended by inserting after sec-
12 tion 48E the following new section:

13 **“SEC. 48F. AFFORDABLE HOUSING CONVERSION CREDIT.**

14 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
15 tion 46, the affordable housing conversion credit for any
16 taxable year is an amount equal to 20 percent of the quali-
17 fied conversion expenditures of the taxpayer with respect
18 to a qualified affordable housing building placed in service
19 by the taxpayer during the taxable year.

20 “(b) QUALIFIED CONVERSION EXPENDITURES.—For
21 purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified conver-
23 sion expenditures’ means, with respect to any quali-
24 fied affordable housing building, any amount prop-
25 erly chargeable to capital account—

1 “(A) for property for which depreciation is
2 allowable under section 168, and

3 “(B) in connection with the qualified con-
4 version of a qualified affordable housing build-
5 ing.

6 “(2) CERTAIN EXPENDITURES NOT IN-
7 CLUDED.—The term ‘qualified conversion expendi-
8 tures’ does not include—

9 “(A) LIMITATION ON PERIOD OF CONVER-
10 SION.—Except as provided in subsection (f),
11 any amount paid or incurred other than during
12 the 2-year period ending on the date on which
13 the taxpayer places the qualified affordable
14 housing building in service.

15 “(B) COST OF ACQUISITION.—The cost of
16 acquiring any building or interest therein.

17 “(3) SPECIAL RULE FOR BROWNFIELDS.—
18 Paragraph (1)(A) shall not apply with respect to any
19 expenditure for clean up of qualifying brownfield
20 property (as defined in section 512(b)(19)).

21 “(4) COORDINATION WITH REHABILITATION
22 CREDIT.—In the case of any qualified conversion ex-
23 penditures which are taken into account for pur-
24 poses of determining the rehabilitation credit under
25 section 47, the amount of such expenditures taken

1 into account under this section (determined without
2 regard to this paragraph) shall be reduced by 50
3 percent.

4 “(c) QUALIFIED CONVERSION.—For purposes of this
5 section—

6 “(1) IN GENERAL.—The term ‘qualified conver-
7 sion’ means the conversion of an eligible commercial
8 building into a qualified affordable housing building
9 if the qualified conversion expenditures of the tax-
10 payer with respect to such conversion exceed the
11 greater of—

12 “(A) an amount equal to 50 percent of the
13 adjusted basis of such building (determined im-
14 mediately prior to such conversion), or

15 “(B) \$100,000.

16 “(2) ELIGIBLE COMMERCIAL BUILDING.—The
17 term ‘eligible commercial building’ means any build-
18 ing which, with respect to any conversion—

19 “(A) was originally placed in service not
20 less than 20 years before the date on which
21 such conversion begins, and

22 “(B) immediately prior to such conversion,
23 was nonresidential real property (as defined in
24 section 168).

1 “(d) QUALIFIED AFFORDABLE HOUSING BUILD-
2 ING.—For purposes of this section—

3 “(1) IN GENERAL.—The term ‘qualified afford-
4 able housing building’ means any residential building
5 if during the 30-year period beginning on the date
6 on which such building is placed in service by the
7 taxpayer, not less than 20 percent of the residential
8 units in the building are both rent-restricted and re-
9 served for individuals whose income is 80 percent or
10 less of the area median income.

11 “(2) RENT AND INCOME LIMITATION.—For
12 purposes of this subsection, rules similar to the rules
13 of subsection (g) of section 42 shall apply to deter-
14 mine whether a unit is rent-restricted, treatment of
15 units occupied by individuals whose incomes rise
16 above the limit, and the treatment of units where
17 Federal rental assistance is reduced as tenant’s in-
18 come increases.

19 “(e) LIMITATION ON AGGREGATE CREDIT ALLOW-
20 ABLE.—

21 “(1) CREDIT MAY NOT EXCEED CREDIT
22 AMOUNT ALLOCATED TO BUILDING.—

23 “(A) IN GENERAL.—The amount of the
24 credit determined under this section with re-
25 spect to any building shall not exceed the quali-

1 fied conversion credit dollar amount allocated to
2 such building under this subsection by the
3 housing credit agency of the State in which
4 such building is located.

5 “(B) TIME FOR MAKING ALLOCATION.—
6 Except in the case of an allocation which meets
7 the requirements of subparagraph (C), an allo-
8 cation shall be taken into account under sub-
9 paragraph (A) only if it is made not later than
10 the close of the calendar year in which the
11 building is placed in service.

12 “(C) EXCEPTION WHERE BINDING COM-
13 MITMENT.—An allocation meets the require-
14 ments of this subparagraph if there is a binding
15 commitment (not later than the close of the cal-
16 endar year in which the building is placed in
17 service) by the housing credit agency to allocate
18 a specified housing credit dollar amount to such
19 building beginning in a later taxable year.

20 “(2) STATE LIMITATION.—

21 “(A) IN GENERAL.—The aggregate quali-
22 fied conversion credit dollar amount which a
23 housing credit agency of any State may allocate
24 is the sum of—

1 “(i) the amount which bears the same
2 ratio to the national qualified conversion
3 credit limitation as—

4 “(I) the population of such State,
5 bears to

6 “(II) the population of all States,
7 plus

8 “(ii) the sum of any amounts deter-
9 mined under subparagraph (C).

10 “(B) NATIONAL QUALIFIED CONVERSION
11 CREDIT LIMITATION.—The national qualified
12 conversion credit limitation is \$12,000,000,000.

13 “(C) ADDITIONAL AMOUNTS PROVIDED
14 FOR CERTAIN BUILDINGS IN ECONOMICALLY
15 DISTRESSED AREAS.—

16 “(i) IN GENERAL.—For purposes of
17 subparagraph (A)(ii), in any case in
18 which—

19 “(I) the housing credit agency of
20 a State allocates an amount to a
21 building which is located in an eco-
22 nomically distressed area, and

23 “(II) the Secretary subsequently
24 designates such amount for purposes
25 of this paragraph,

1 the amount determined under this para-
2 graph with respect to such building shall
3 be the amount originally allocated by the
4 housing credit agency of the State under
5 clause (i).

6 “(ii) LIMITATION.—The aggregate
7 amount which the Secretary may designate
8 under clause (i)(II) shall not exceed
9 \$3,000,000,000.

10 “(iii) MANNER OF DESIGNATION.—
11 Not later than 120 days after the date of
12 the enactment of this section, the Sec-
13 retary shall establish a program for deter-
14 mining the designation of amounts that
15 may be designated under this subpara-
16 graph.

17 “(D) REALLOCATION OF CERTAIN
18 AMOUNTS.—

19 “(i) IN GENERAL.—Notwithstanding
20 subparagraph (A)—

21 “(I) no amount may be allocated
22 under paragraph (1) by a housing
23 credit agency of an undersubscribed
24 State after December 31, 2028, and

1 “(II) the dollar amount deter-
2 mined under subparagraph (A) with
3 respect to any oversubscribed State
4 after such date shall be increased by
5 such State’s share of the reallocation
6 amount.

7 “(ii) STATE SHARE.—For purposes of
8 clause (i), an oversubscribed State’s share
9 of the reallocation amount is the amount
10 which bears the same ratio to the realloca-
11 tion amount as—

12 “(I) the population of such State,
13 bears to

14 “(II) the population of all over-
15 subscribed States.

16 “(iii) DEFINITIONS.—For purposes of
17 this subparagraph—

18 “(I) UNDERSUBSCRIBED
19 STATE.—The term ‘undersubscribed
20 State’ means any State that is not an
21 oversubscribed State.

22 “(II) OVERSUBSCRIBED
23 STATE.—The term ‘oversubscribed
24 State’ means any State the housing
25 credit agency of which has allocated

1 all of the qualified conversion credit
2 dollar amount which may be allocated
3 by it before the date described in
4 clause (i)(I).

5 “(III) REALLOCATION
6 AMOUNT.—The term ‘reallocation
7 amount’ means the sum of the
8 amounts described in subparagraph
9 (A) which have not been allocated by
10 undersubscribed States before the
11 date described in clause (i)(I).

12 “(3) MANNER OF ALLOCATION.—

13 “(A) PLAN FOR ALLOCATION.—

14 “(i) IN GENERAL.—Notwithstanding
15 any other provision of this section, the
16 qualified conversion credit dollar amount
17 with respect to any building shall be zero
18 unless such amount was allocated pursuant
19 to a conversion credit allocation plan of the
20 housing credit agency which is approved by
21 the governmental unit (in accordance with
22 rules similar to the rules of section
23 147(f)(2) (other than subparagraph (B)(ii)
24 thereof)) of which such agency is a part.

1 “(ii) CONVERSION CREDIT ALLOCA-
2 TION PLAN.—For purposes of this sub-
3 paragraph, the term ‘conversion credit allo-
4 cation plan’ means a plan—

5 “(I) which sets selection criteria
6 for allocations, taking into account—

7 “(aa) whether the credit is
8 needed to assure the financial
9 feasibility of the conversion,

10 “(bb) the extent to which
11 the conversion results in the cre-
12 ation of affordable housing,

13 “(cc) the extent to which the
14 conversion results in the creation
15 of housing near transportation,
16 employment, and commercial op-
17 portunities,

18 “(dd) the extent to which
19 the conversion will support small
20 businesses and economic revital-
21 ization in the surrounding area,

22 “(ee) the degree of local gov-
23 ernment support for the conver-
24 sion, and

1 “(ff) the readiness of the
2 building for a qualified conver-
3 sion, and

4 “(II) which provides a procedure
5 that the agency (or an agent or other
6 private contractor of such agency) will
7 follow in monitoring for noncompli-
8 ance with the requirements of sub-
9 section (d) and in notifying the Inter-
10 nal Revenue Service of such non-
11 compliance.

12 “(B) BINDING ALLOCATION AGREEMENTS;
13 REPORTING.—In making allocations of qualified
14 conversion credit dollar amounts, each housing
15 credit agency shall—

16 “(i) enter into binding agreements
17 with taxpayers for the allocation of quali-
18 fied conversion credit dollar amounts,
19 which agreements shall specify the amount
20 of qualified conversion credit dollar amount
21 allocated to the building and the terms for
22 any modifications or withdrawal of such al-
23 location, and

24 “(ii) report to the Secretary, at such
25 time and in such manner as the Secretary

1 may require, the amount of allocations
2 made with respect to any building.

3 “(C) STATE EXTENDED USE REQUIRE-
4 MENTS PERMITTED PAST 30 YEARS.—For pur-
5 poses of this paragraph, a housing credit agen-
6 cy’s plan shall not fail to be treated as a con-
7 version credit allocation plan merely because it
8 includes, and nothing in this section shall be
9 construed to limit a binding allocation agree-
10 ment from including, affordability or rent re-
11 striction requirements with respect to the build-
12 ing that apply for a longer period than the 30-
13 year period described in subsections (d) and
14 (g)(1)(B).

15 “(4) DEFINITIONS AND OTHER RULES.—

16 “(A) HOUSING CREDIT AGENCY.—The
17 term ‘housing credit agency’ means, with re-
18 spect to any State, the housing credit agency
19 authorized under section 42(h)(8) or such other
20 agency as authorized by the State for purposes
21 of this section.

22 “(B) ECONOMICALLY DISTRESSED AREA.—
23 The term ‘economically distressed area’ means
24 any area which—

1 “(i) has been designated as a qualified
2 census tract under section 42(d)(5)(B)(ii)
3 or as a difficult development area under
4 section 42(d)(5)(B)(iii), or

5 “(ii) meets the requirement of section
6 301(a)(3) of the Public Works and Eco-
7 nomic Development Act of 1965.

8 “(C) STATE.—The term ‘State’ includes a
9 possession of the United States.

10 “(D) OTHER RULES.—Rules similar to the
11 rules of subparagraphs (A) and (B) of section
12 42(h)(7) shall apply for purposes of this sec-
13 tion.

14 “(f) PROGRESS EXPENDITURES.—If the Secretary
15 determines, on the basis of architectural plans and speci-
16 fications that a qualified conversion is reasonably expected
17 to exceed 2 years, rules similar to the rules of section
18 47(d) shall apply with respect to such conversion for pur-
19 poses of this section.

20 “(g) SPECIAL RULES FOR CERTAIN AREAS.—

21 “(1) QUALIFIED CENSUS TRACTS AND DIF-
22 FICULT DEVELOPMENT AREAS.—In the case of a
23 qualified affordable housing building—

24 “(A) which is located in any area which is
25 designated as a qualified census tract under

1 section 42(d)(5)(B)(ii) or as a difficult develop-
2 ment area under section 42(d)(5)(B)(iii), and

3 “(B) with respect to which during 30-year
4 period beginning on the date on which such
5 building is placed in service by the taxpayer,
6 not less than 20 percent of the residential units
7 in the building are both rent-restricted and re-
8 served for individuals whose income is 60 per-
9 cent or less of the area median income,

10 subsection (a) shall be applied by substituting ‘30
11 percent’ for ‘20 percent’.

12 “(2) HISTORIC PRESERVATION IN RURAL
13 AREAS.—

14 “(A) IN GENERAL.—In the case of a quali-
15 fied affordable housing building which is in a
16 rural area and is part of an historic preserva-
17 tion project, the taxpayer may elect to sub-
18 stitute ‘35 percent’ for ‘20 percent’ under sub-
19 section (a) with respect to such portion of the
20 aggregate qualified conversion expenditures
21 taken into account under such subsection as
22 does not exceed \$2,000,000.

23 “(B) DEFINITIONS.—For purposes of this
24 paragraph—

1 “(i) RURAL AREA.—The term ‘rural
2 area’ shall have the meaning given such
3 term under section 1393(a)(2).

4 “(ii) HISTORIC PRESERVATION
5 PROJECT.—The term ‘historic preservation
6 project’ means a qualified conversion which
7 involves the certified rehabilitation of a
8 certified historic structure. Whether con-
9 version of a certified historic structure in-
10 volves certified rehabilitation shall be de-
11 termined under rules similar to the rules of
12 section 47(e)(2)(C).

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

17 “(1) providing for the recapture of the credit
18 determined under subsection (a) if the qualified af-
19 fordable housing building ceases to be a qualified af-
20 fordable housing building during the 30-year period
21 beginning on the date that such building is placed
22 in service by the taxpayer,

23 “(2) detailing any certifications required from
24 the taxpayer or any housing credit agency of a
25 State,

1 ing the period at the end and inserting “, and”, and
2 by adding at the end the following new paragraph:

3 “(8) the affordable housing conversion credit.”.

4 (2) Section 49(a)(1)(C) is amended by striking
5 “and” at the end of clause (vii), in clause (viii) by
6 striking the period at the end and inserting “, and”,
7 and by adding at the end the follow new clause:

8 “(ix) the basis of any property which
9 is being converted as part of a qualified
10 conversion under section 48F.”.

11 (3) Section 50(a)(2)(E) is amended by striking
12 “or 48E(e)” and inserting “48E(e), or 48F(f)”.

13 (4) The table of sections for subpart E of part
14 IV of subchapter A of chapter 1 is amended by add-
15 ing at the end the following new item:

“Sec. 48F. Affordable housing conversion credit.”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to qualified affordable housing
18 buildings (as defined in section 48F of the Internal Rev-
19 enue Code of 1986, as added by this section) placed in
20 service after the date of the enactment of this Act.

21 **SEC. 12002. NEIGHBORHOOD HOMES CREDIT.**

22 (a) IN GENERAL.—Subpart D of part IV of sub-
23 chapter A of chapter 1 is amended by inserting after sec-
24 tion 42 the following new section:

1 **“SEC. 42A. NEIGHBORHOOD HOMES CREDIT.**

2 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
3 tion 38, the neighborhood homes credit determined under
4 this section for the taxable year is, with respect to each
5 qualified residence sold by the taxpayer during such tax-
6 able year in an affordable sale, the lesser of—

7 “(1) an amount equal to—

8 “(A) the excess (if any) of—

9 “(i) the reasonable development costs
10 paid or incurred by the taxpayer with re-
11 spect to such qualified residence, over

12 “(ii) the sale price of such qualified
13 residence (reduced by any reasonable ex-
14 penses paid or incurred by the taxpayer in
15 connection with such sale), or

16 “(B) if the neighborhood homes credit
17 agency determines it is necessary to ensure fi-
18 nancial feasibility, an amount not to exceed 120
19 percent of the amount under subparagraph (A),

20 “(2) 40 percent of the eligible development
21 costs paid or incurred by the taxpayer with respect
22 to such qualified residence, or

23 “(3) 32 percent of the national median sale
24 price for new homes (as determined pursuant to the
25 most recent census data available as of the date on

1 which the neighborhood homes credit agency makes
2 an allocation for the qualified project).

3 “(b) DEVELOPMENT COSTS.—For purposes of this
4 section—

5 “(1) REASONABLE DEVELOPMENT COSTS.—

6 “(A) IN GENERAL.—The term ‘reasonable
7 development costs’ means amounts paid or in-
8 curred for the acquisition of buildings and land,
9 construction, substantial rehabilitation, demoli-
10 tion of structures, or environmental remedi-
11 ation, to the extent that the neighborhood
12 homes credit agency determines that such
13 amounts meet the standards specified pursuant
14 to subsection (f)(1)(D) (as of the date on which
15 construction or substantial rehabilitation is sub-
16 stantially complete, as determined by such
17 agency) and are necessary to ensure the finan-
18 cial feasibility of such qualified residence.

19 “(B) CONSIDERATIONS IN MAKING DETER-
20 MINATION.—In making the determination under
21 subparagraph (A), the neighborhood homes
22 credit agency shall consider—

23 “(i) the sources and uses of funds and
24 the total financing,

1 “(ii) any proceeds or receipts gen-
2 erated or expected to be generated by rea-
3 son of tax benefits, and

4 “(iii) the reasonableness of the devel-
5 opmental costs and fees.

6 “(2) ELIGIBLE DEVELOPMENT COSTS.—The
7 term ‘eligible development costs’ means the amount
8 which would be reasonable development costs if the
9 amounts taken into account as paid or incurred for
10 the acquisition of buildings and land did not exceed
11 75 percent of such costs determined without regard
12 to any amount paid or incurred for the acquisition
13 of buildings and land.

14 “(3) SUBSTANTIAL REHABILITATION.—The
15 term ‘substantial rehabilitation’ means amounts paid
16 or incurred for rehabilitation of a qualified residence
17 if such amounts exceed the greater of—

18 “(A) \$25,000, or

19 “(B) 20 percent of the amounts paid or in-
20 curred by the taxpayer for the acquisition of
21 buildings and land with respect to such quali-
22 fied residence.

23 “(4) CONSTRUCTION AND REHABILITATION
24 ONLY AFTER ALLOCATION TAKEN INTO ACCOUNT.—

1 “(A) IN GENERAL.—The terms ‘reasonable
2 development costs’ and ‘eligible development
3 costs’ shall not include any amount paid or in-
4 curred before the date on which an allocation is
5 made to the taxpayer under subsection (e) with
6 respect to the qualified project of which the
7 qualified residence is part unless such amount
8 is paid or incurred for the acquisition of build-
9 ings or land.

10 “(B) LAND AND BUILDING ACQUISITION
11 COSTS.—Amounts paid or incurred for the ac-
12 quisition of buildings or land shall be included
13 under paragraph (A) only if paid or incurred
14 not more than 3 years before the date on which
15 the allocation referred to in subparagraph (A)
16 is made. If the taxpayer acquired any building
17 or land from an entity (or any related party to
18 such entity) that holds an ownership interest in
19 the taxpayer, then such entity must also have
20 acquired such property within such 3-year pe-
21 riod, and the acquisition cost included under
22 subparagraph (A) with respect to the taxpayer
23 shall not exceed the amount such entity paid or
24 incurred to acquire such property.

1 “(c) QUALIFIED RESIDENCE.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘qualified resi-
4 dence’ means a residence that—

5 “(A) is real property (constructed on-site
6 or manufactured off-site) affixed on a perma-
7 nent foundation,

8 “(B) is—

9 “(i) a house which is comprised of 4
10 or fewer residential units,

11 “(ii) a condominium unit, or

12 “(iii) a house or an apartment owned
13 by a cooperative housing corporation (as
14 defined in section 216(b)),

15 “(C) is part of a qualified project with re-
16 spect to which the neighborhood homes credit
17 agency has made an allocation under subsection
18 (e), and

19 “(D) is located in a qualified census tract
20 (determined as of the date of such allocation).

21 “(2) QUALIFIED CENSUS TRACT.—

22 “(A) IN GENERAL.—The term ‘qualified
23 census tract’ means a census tract—

24 “(i) which—

1 “(I) has a median family income
2 which does not exceed 80 percent of
3 the median family income for the ap-
4 plicable area,

5 “(II) has a poverty rate that is
6 not less than 130 percent of the pov-
7 erty rate of the applicable area, and

8 “(III) has a median value for
9 owner-occupied homes that does not
10 exceed the median value for owner-oc-
11 cupied homes in the applicable area,
12 “(ii) which—

13 “(I) is located in a city which has
14 a population of not less than 50,000
15 and such city has a poverty rate that
16 is not less than 150 percent of the
17 poverty rate of the applicable area,

18 “(II) has a median family income
19 which does not exceed the median
20 family income for the applicable area,
21 and

22 “(III) has a median value for
23 owner-occupied homes that does not
24 exceed 80 percent of the median value

1 for owner-occupied homes in the ap-
2 plicable area,

3 “(iii) which—

4 “(I) is located in a nonmetropoli-
5 tan county,

6 “(II) has a median family income
7 which does not exceed the median
8 family income for the applicable area,
9 and

10 “(III) has been designated by a
11 neighborhood homes credit agency
12 under this clause,

13 “(iv) which is not otherwise a quali-
14 fied census tract and is located in a dis-
15 aster area (as defined in section
16 7508A(d)(3)), but only with respect to
17 credits allocated in any period during
18 which the President of the United States
19 has determined that such area warrants in-
20 dividual or individual and public assistance
21 by the Federal Government under the Rob-
22 ert T. Stafford Disaster Relief and Emer-
23 gency Assistance Act, or

24 “(v) which is not otherwise a qualified
25 census tract and is identified by the neigh-

1 neighborhood homes credit agency, through
2 methodologies detailed in the qualified allo-
3 cation plan, as having a shortage of afford-
4 able owner-occupied homes.

5 “(B) APPLICABLE AREA.—The term ‘appli-
6 cable area’ means—

7 “(i) in the case of a metropolitan cen-
8 sus tract, the metropolitan area in which
9 such census tract is located, and

10 “(ii) in the case of a census tract
11 other than a census tract described in
12 clause (i), the State.

13 “(d) AFFORDABLE SALE.—For purposes of this sec-
14 tion—

15 “(1) IN GENERAL.—The term ‘affordable sale’
16 means a sale to a qualified homeowner of a qualified
17 residence that the neighborhood homes credit agency
18 certifies as meeting the standards promulgated
19 under subsection (f)(1)(D) for a price that does not
20 exceed—

21 “(A) in the case of any qualified residence
22 not described in subparagraph (B), (C), or (D),
23 the amount equal to the product of 4 multiplied
24 by the median family income for the applicable
25 area (as determined pursuant to the most re-

1 cent census data available as of the date of the
2 contract for such sale),

3 “(B) in the case of a house comprised of
4 2 residential units, 125 percent of the amount
5 described in subparagraph (A),

6 “(C) in the case of a house comprised of
7 3 residential units, 150 percent of the amount
8 described in subparagraph (A), or

9 “(D) in the case of a house comprised of
10 4 residential units, 175 percent of the amount
11 described in subparagraph (A).

12 “(2) QUALIFIED HOMEOWNER.—The term
13 ‘qualified homeowner’ means, with respect to a
14 qualified residence, an individual—

15 “(A) who owns and uses such qualified res-
16 idence as the principal residence of such indi-
17 vidual, and

18 “(B) whose family income (determined as
19 of the date that a binding contract for the af-
20 fordable sale of such residence is entered into)
21 is 140 percent or less of the median family in-
22 come for the applicable area in which the quali-
23 fied residence is located.

24 “(e) CREDIT CEILING AND ALLOCATIONS.—

1 “(1) CREDIT LIMITED BASED ON ALLOCATIONS
2 TO QUALIFIED PROJECTS.—

3 “(A) IN GENERAL.—The credit allowed
4 under subsection (a) to any taxpayer for any
5 taxable year with respect to one or more quali-
6 fied residences which are part of the same
7 qualified project shall not exceed the excess (if
8 any) of—

9 “(i) the amount allocated by the
10 neighborhood homes credit agency under
11 this paragraph to such taxpayer with re-
12 spect to such qualified project, over

13 “(ii) the aggregate amount of credit
14 allowed under subsection (a) to such tax-
15 payer with respect to qualified residences
16 which are a part of such qualified project
17 for all prior taxable years.

18 “(B) DEADLINE FOR COMPLETION.—No
19 credit shall be allowed under subsection (a)
20 with respect to any qualified residence unless
21 the affordable sale of such residence is during
22 the 5-year period beginning on the date of the
23 allocation to the qualified project of which such
24 residence is a part (or, in the case of a qualified
25 residence to which subsection (i) applies, the re-

1 habilitation of such residence is completed dur-
2 ing such 5-year period).

3 “(2) LIMITATIONS ON ALLOCATIONS TO QUALI-
4 FIED PROJECTS.—

5 “(A) ALLOCATIONS LIMITED BY STATE
6 NEIGHBORHOOD HOMES CREDIT CEILING.—The
7 aggregate amount allocated to taxpayers with
8 respect to qualified projects by the neighbor-
9 hood homes credit agency of any State for any
10 calendar year shall not exceed the State neigh-
11 borhood homes credit amount of such State for
12 such calendar year.

13 “(B) SET-ASIDE FOR CERTAIN PROJECTS
14 INVOLVING QUALIFIED NONPROFIT ORGANIZA-
15 TIONS.—Rules similar to the rules of section
16 42(h)(5) shall apply for purposes of this sec-
17 tion.

18 “(3) DETERMINATION OF STATE NEIGHBOR-
19 HOOD HOMES CREDIT CEILING.—

20 “(A) IN GENERAL.—The State neighbor-
21 hood homes credit amount for a State for a cal-
22 endar year is an amount equal to the sum of—

23 “(i) the greater of—

1 “(I) the product of \$9, multiplied
2 by the State population (determined
3 in accordance with section 146(j)), or

4 “(II) \$12,000,000, and

5 “(ii) any amount previously allocated
6 to any taxpayer with respect to any quali-
7 fied project by the neighborhood homes
8 credit agency of such State which can no
9 longer be allocated to any qualified resi-
10 dence because the 5-year period described
11 in paragraph (1)(B) expires during cal-
12 endar year.

13 “(B) 3-YEAR CARRYFORWARD OF UNUSED
14 LIMITATION.—The State neighborhood homes
15 credit amount for a State for a calendar year
16 shall be increased by the excess (if any) of the
17 State neighborhood homes credit amount for
18 such State for the preceding calendar year over
19 the aggregate amount allocated by the neigh-
20 borhood homes credit agency of such State dur-
21 ing such preceding calendar year. Any amount
22 carried forward under the preceding sentence
23 shall not be carried past the third calendar year
24 after the calendar year in which such credit

1 amount originally arose, determined on a first-
2 in, first-out basis.

3 “(f) RESPONSIBILITIES OF NEIGHBORHOOD HOMES
4 CREDIT AGENCIES.—

5 “(1) IN GENERAL.—Notwithstanding subsection
6 (e), the State neighborhood homes credit dollar
7 amount shall be zero for a calendar year unless the
8 neighborhood homes credit agency of the State—

9 “(A) allocates such amount pursuant to a
10 qualified allocation plan of the neighborhood
11 homes credit agency,

12 “(B) subject to paragraph (2), allocates
13 not more than 20 percent of amounts allocated
14 in the previous year (or for allocations made in
15 the first allocation year under this section, not
16 more than 20 percent of the neighborhood
17 homes credit ceiling for such year) to projects
18 with respect to qualified residences which—

19 “(i) are located in census tracts de-
20 scribed in subsection (c)(2)(A)(iii),
21 (c)(2)(A)(iv), (i)(5), or

22 “(ii) are not located in a qualified
23 census tract but meet the requirements of
24 subsection (i)(8),

1 “(C) subject to paragraph (2), in addition
2 to any allocation described in subparagraph
3 (B), allocates not more than 20 percent of
4 amounts allocated in the previous year (or for
5 allocations made in the first allocation year
6 under this section, not more than 20 percent of
7 the neighborhood homes credit ceiling for such
8 year) to projects with respect to qualified resi-
9 dences which are located in any census tract de-
10 scribed in subsection (c)(2)(A)(v), except that,
11 with respect to any qualified residence located
12 within such census tract which is sold to a
13 qualified homeowner, subsection (d)(2) shall be
14 applied by substituting ‘120 percent’ for ‘140
15 percent’,

16 “(D) promulgates standards with respect
17 to reasonable qualified development costs and
18 fees,

19 “(E) promulgates standards with respect
20 to construction quality which are consistent
21 with building codes or other standards required
22 by the State or local jurisdiction in which the
23 project is located,

24 “(F) in the case of any neighborhood
25 homes credit agency which makes an allocation

1 to a qualified project which includes any quali-
2 fied residence to which subsection (i) applies,
3 promulgates standards with respect to pro-
4 tecting the owners of such residences, including
5 the capacity of such owners to pay rehabilita-
6 tion costs not covered by the credit provided by
7 this section and providing for the disclosure to
8 such owners of their rights and responsibilities
9 with respect to the rehabilitation of such resi-
10 dences,

11 “(G) submits to the Secretary (at such
12 time and in such manner as the Secretary may
13 prescribe) an annual report specifying—

14 “(i) the amount of the neighborhood
15 homes credits allocated to each qualified
16 project for the previous year,

17 “(ii) with respect to each qualified
18 residence completed in the preceding cal-
19 endar year—

20 “(I) the census tract in which
21 such qualified residence is located,

22 “(II) with respect to the qualified
23 project that includes such qualified
24 residence, the year in which such

1 project received an allocation under
2 this section,

3 “(III) whether such qualified res-
4 idence was new, substantially rehabili-
5 tated and sold to a qualified home-
6 owner, or substantially rehabilitated
7 pursuant to subsection (i),

8 “(IV) the eligible development
9 costs of such qualified residence,

10 “(V) the amount of the neighbor-
11 hood homes credit with respect to
12 such qualified residence,

13 “(VI) the sales price of such
14 qualified residence, if applicable, and

15 “(VII) the family income of the
16 qualified homeowner (expressed as a
17 percentage of the applicable area me-
18 dian family income for the location of
19 the qualified residence), and

20 “(iii) such other information as the
21 Secretary may require,

22 “(H) makes available to the general public
23 a written explanation for any allocation of a
24 neighborhood homes credit dollar amount which
25 is not made in accordance with established pri-

1 orities and selection criteria of the neighbor-
2 hood homes credit agency, and

3 “(I) provide educational outreach on appli-
4 cation and compliance requirements, including
5 for small residential builders and remodelers.

6 “(2) ALTERNATIVE FOR CERTAIN STATES.—

7 “(A) IN GENERAL.—In the case of any
8 State which, for a calendar year, is an applica-
9 ble State (as defined in subparagraph (B)), in
10 lieu of the requirements under subparagraphs
11 (B) and (C) of paragraph (1), the neighborhood
12 homes credit agency of the State may elect to
13 allocate not more than 40 percent of amounts
14 allocated in the previous year (or for allocations
15 made in the first allocation year under this sec-
16 tion, not more than 40 percent of the neighbor-
17 hood homes credit ceiling for such year) to
18 projects with respect to qualified residences
19 which are described in either subparagraph (B)
20 or (C) of paragraph (1).

21 “(B) APPLICABLE STATE.—For purposes
22 of this paragraph, the term ‘applicable State’
23 means a State which, for purposes of the deter-
24 mining the amount under subsection
25 (e)(3)(A)(i) for the calendar year with respect

1 to such State, received the amount described in
2 subclause (II) of such subsection.

3 “(3) QUALIFIED ALLOCATION PLAN.—For pur-
4 poses of this subsection, the term ‘qualified alloca-
5 tion plan’ means any plan which—

6 “(A) sets forth the selection criteria to be
7 used to prioritize qualified projects for alloca-
8 tions of State neighborhood homes credit dollar
9 amounts, including—

10 “(i) the need for new or substantially
11 rehabilitated owner-occupied homes in the
12 area addressed by the project,

13 “(ii) the expected contribution of the
14 project to neighborhood stability and revi-
15 talization, including the impact on neigh-
16 borhood residents,

17 “(iii) the capability and prior perform-
18 ance of the project sponsor, and

19 “(iv) the likelihood the project will re-
20 sult in long-term homeownership,

21 “(B) has been made available for public
22 comment,

23 “(C) as determined by the neighborhood
24 homes credit agency, is likely to result in the
25 selection of highly qualified applicants while

1 also minimizing, to the extent practicable, appli-
2 cation costs and barriers to entry for small resi-
3 dential builders and re-modelers, and

4 “(D) provides a procedure that the neigh-
5 borhood homes credit agency (or any agent or
6 contractor of such agency) shall follow for pur-
7 poses of—

8 “(i) identifying noncompliance with
9 any provisions of this section, and

10 “(ii) notifying the Internal Revenue
11 Service of any such noncompliance of
12 which the agency becomes aware.

13 “(g) REPAYMENT.—

14 “(1) IN GENERAL.—

15 “(A) SOLD DURING 5-YEAR PERIOD.—If a
16 qualified residence is sold during the 5-year pe-
17 riod beginning immediately after the affordable
18 sale of such qualified residence referred to in
19 subsection (a), the seller shall transfer an
20 amount equal to the repayment amount to the
21 relevant neighborhood homes credit agency.

22 “(B) USE OF REPAYMENTS.—A neighbor-
23 hood homes credit agency shall use any amount
24 received pursuant to subparagraph (A) only for
25 purposes of qualified projects.

1 “(2) REPAYMENT AMOUNT.—For purposes of
2 paragraph (1)(A)—

3 “(A) IN GENERAL.—The repayment
4 amount is an amount equal to the applicable
5 percentage of the gain from the sale to which
6 the repayment relates.

7 “(B) APPLICABLE PERCENTAGE.—For
8 purposes of subparagraph (A), the applicable
9 percentage is 50 percent, reduced by 10 per-
10 centage points for each year of the 5-year pe-
11 riod referred to in paragraph (1)(A) which ends
12 before the date of such sale.

13 “(3) LIEN FOR REPAYMENT AMOUNT.—A
14 neighborhood homes credit agency receiving an allo-
15 cation under this section shall place a lien on each
16 qualified residence that is built or rehabilitated as
17 part of a qualified project for an amount such agen-
18 cy deems necessary to ensure potential repayment
19 pursuant to paragraph (1)(A).

20 “(4) WAIVER.—

21 “(A) IN GENERAL.—The neighborhood
22 homes credit agency may waive the repayment
23 required under paragraph (1)(A) if the agency
24 determines that making a repayment would
25 constitute a hardship to the seller.

1 “(B) HARDSHIP.—For purposes of sub-
2 paragraph (A), with respect to the seller, a
3 hardship may include—

4 “(i) divorce,

5 “(ii) disability,

6 “(iii) illness, or

7 “(iv) any other hardship identified by
8 the neighborhood homes credit agency for
9 purposes of this paragraph.

10 “(h) OTHER DEFINITIONS AND SPECIAL RULES.—

11 For purposes of this section—

12 “(1) NEIGHBORHOOD HOMES CREDIT AGEN-
13 CY.—The term ‘neighborhood homes credit agency’
14 means the agency designated by the governor of a
15 State as the neighborhood homes credit agency of
16 the State.

17 “(2) QUALIFIED PROJECT.—The term ‘qualified
18 project’ means a project that a neighborhood homes
19 credit agency certifies will build or substantially re-
20 habilitate one or more qualified residences.

21 “(3) DETERMINATIONS OF FAMILY INCOME.—

22 Rules similar to the rules of section 143(f)(2) shall
23 apply for purposes of this section.

1 “(4) POSSESSIONS TREATED AS STATES.—The
2 term ‘State’ includes the District of Columbia and
3 the possessions of the United States.

4 “(5) SPECIAL RULES RELATED TO CONDOMIN-
5 IUMS AND COOPERATIVE HOUSING CORPORATIONS.—

6 “(A) DETERMINATION OF DEVELOPMENT
7 COSTS.—In the case of a qualified residence de-
8 scribed in clause (ii) or (iii) of subsection
9 (c)(1)(A), the reasonable development costs and
10 eligible development costs of such qualified resi-
11 dence shall be an amount equal to such costs,
12 respectively, of the entire condominium or coop-
13 erative housing property in which such qualified
14 residence is located, multiplied by a fraction—

15 “(i) the numerator of which is the
16 total floor space of such qualified resi-
17 dence, and

18 “(ii) the denominator of which is the
19 total floor space of all residences within
20 such property.

21 “(B) TENANT-STOCKHOLDERS OF COOPER-
22 ATIVE HOUSING CORPORATIONS TREATED AS
23 OWNERS.—In the case of a cooperative housing
24 corporation (as such term is defined in section
25 216(b)), a tenant-stockholder shall be treated

1 as owning the house or apartment which such
2 person is entitled to occupy.

3 “(6) RELATED PARTY SALES NOT TREATED AS
4 AFFORDABLE SALES.—

5 “(A) IN GENERAL.—A sale between related
6 persons shall not be treated as an affordable
7 sale.

8 “(B) RELATED PERSONS.—For purposes
9 of this paragraph, a person (in this subpara-
10 graph referred to as the ‘related person’) is re-
11 lated to any person if the related person bears
12 a relationship to such person specified in sec-
13 tion 267(b) or 707(b)(1), or the related person
14 and such person are engaged in trades or busi-
15 nesses under common control (within the mean-
16 ing of subsections (a) and (b) of section 52).
17 For purposes of the preceding sentence, in ap-
18 plying section 267(b) or 707(b)(1), ‘10 percent’
19 shall be substituted for ‘50 percent’.

20 “(7) INFLATION ADJUSTMENT.—

21 “(A) IN GENERAL.—In the case of a cal-
22 endar year after 2026, the dollar amounts in
23 subsections (b)(3)(A), (e)(3)(A)(i)(I),
24 (e)(3)(A)(i)(II), and (i)(2)(C) shall each be in-
25 creased by an amount equal to—

1 “(i) such dollar amount, multiplied by

2 “(ii) the cost-of-living adjustment de-
3 termined under section 1(f)(3) for such
4 calendar year by substituting ‘calendar
5 year 2025’ for ‘calendar year 2016’ in sub-
6 paragraph (A)(ii) thereof.

7 “(B) ROUNDING.—

8 “(i) In the case of the dollar amounts
9 in subsections (b)(3)(A) and (i)(2)(C), any
10 increase under paragraph (1) which is not
11 a multiple of \$1,000 shall be rounded to
12 the nearest multiple of \$1,000.

13 “(ii) In the case of the dollar amount
14 in subsection (e)(3)(A)(i)(I), any increase
15 under paragraph (1) which is not a mul-
16 tiple of \$0.01 shall be rounded to the near-
17 est multiple of \$0.01.

18 “(iii) In the case of the dollar amount
19 in subsection (e)(3)(A)(i)(II), any increase
20 under paragraph (1) which is not a mul-
21 tiple of \$100,000 shall be rounded to the
22 nearest multiple of \$100,000.

23 “(8) REPORT.—

24 “(A) IN GENERAL.—The Secretary shall
25 annually issue a report, to be made available to

1 the public, which contains the information sub-
2 mitted pursuant to subsection (f)(1)(G).

3 “(B) DE-IDENTIFICATION.—The Secretary
4 shall ensure that any information made public
5 pursuant to subparagraph (A) excludes any in-
6 formation that would allow for the identification
7 of qualified homeowners.

8 “(9) LIST OF QUALIFIED CENSUS TRACTS.—
9 The Secretary of Housing and Urban Development
10 shall, for each year, make publicly available a list of
11 qualified census tracts under—

12 “(A) on a combined basis, clauses (i) and
13 (ii) of subsection (c)(2)(A),

14 “(B) clause (iii) of such subsection, and

15 “(C) subsection (i)(5)(A).

16 “(10) DENIAL OF DEDUCTIONS IF CONVERTED
17 TO RENTAL HOUSING.—If, during the 5-year period
18 beginning immediately after the affordable sale of a
19 qualified residence referred to in subsection (a), an
20 individual who owns a qualified residence (whether
21 or not such individual was the purchaser in such af-
22 fordable sale) fails to use such qualified residence as
23 such individual’s principal residence for any period
24 of time, no deduction shall be allowed for expenses
25 paid or incurred by such individual with respect to

1 renting, during such period of time, such qualified
2 residence.

3 “(i) APPLICATION OF CREDIT WITH RESPECT TO
4 OWNER-OCCUPIED REHABILITATIONS.—

5 “(1) IN GENERAL.—In the case of a qualified
6 rehabilitation by the taxpayer of any qualified resi-
7 dence which is owned (as of the date that the writ-
8 ten binding contract referred to in paragraph (3) is
9 entered into) by a specified homeowner, the rules of
10 paragraphs (2) through (7) shall apply.

11 “(2) ALTERNATIVE CREDIT DETERMINATION.—
12 In the case of any qualified residence described in
13 paragraph (1), the neighborhood homes credit deter-
14 mined under subsection (a) with respect to such res-
15 idence shall (in lieu of any credit otherwise deter-
16 mined under subsection (a) with respect to such res-
17 idence) be allowed in the taxable year during which
18 the qualified rehabilitation is completed (as deter-
19 mined by the neighborhood homes credit agency)
20 and shall be equal to the least of—

21 “(A) the excess (if any) of—

22 “(i) the amounts paid or incurred by
23 the taxpayer for the qualified rehabilitation
24 of the qualified residence to the extent that
25 such amounts are certified by the neigh-

1 borhood homes credit agency (at the time
2 of the completion of such rehabilitation) as
3 meeting the standards specified pursuant
4 to subsection (f)(1)(D), over

5 “(ii) any amounts paid to such tax-
6 payer for such rehabilitation,

7 “(B) 50 percent of the amounts described
8 in subparagraph (A)(i), or

9 “(C) \$50,000.

10 “(3) QUALIFIED REHABILITATION.—

11 “(A) IN GENERAL.—For purposes of this
12 subsection, the term ‘qualified rehabilitation’
13 means a rehabilitation or reconstruction per-
14 formed pursuant to a written binding contract
15 between the taxpayer and the specified home-
16 owner if the amount paid or incurred by the
17 taxpayer in the performance of such rehabilita-
18 tion or reconstruction exceeds the dollar
19 amount in effect under subsection (b)(3)(A).

20 “(B) APPLICATION OF LIMITATION TO EX-
21 PENSES PAID OR INCURRED AFTER ALLOCA-
22 TION.—A rule similar to the rule of section
23 (b)(4) shall apply for purposes of this sub-
24 section.

1 “(4) SPECIFIED HOMEOWNER.—For purposes
2 of this subsection, the term ‘specified homeowner’
3 means, with respect to a qualified residence, an indi-
4 vidual—

5 “(A) who owns and uses such qualified res-
6 idence as the principal residence of such indi-
7 vidual as of the date that the written binding
8 contract referred to in paragraph (3) is entered
9 into, and

10 “(B) whose family income (determined as
11 of such date) does not exceed the median family
12 income for the applicable area (with respect to
13 the census tract in which the qualified residence
14 is located).

15 “(5) ADDITIONAL CENSUS TRACTS IN WHICH
16 OWNER-OCCUPIED RESIDENCES MAY BE LOCATED.—
17 In the case of any qualified residence described in
18 paragraph (1), the term ‘qualified census tract’ in-
19 cludes any census tract which—

20 “(A) meets the requirements of subsection
21 (c)(2)(A)(i) without regard to subclause (III)
22 thereof, and

23 “(B) is designated by the neighborhood
24 homes credit agency for purposes of this para-
25 graph.

1 “(6) MODIFICATION OF REPAYMENT REQUIRE-
2 MENT.—In the case of any qualified residence de-
3 scribed in paragraph (1), subsection (g) shall be ap-
4 plied by beginning the 5-year period otherwise de-
5 scribed therein on the date on which the qualified
6 homeowner acquired such residence.

7 “(7) RELATED PARTIES.—Paragraph (1) shall
8 not apply if the taxpayer is the owner of the quali-
9 fied residence described in paragraph (1) or is re-
10 lated (within the meaning of subsection (h)(6)(B))
11 to such owner.

12 “(8) PYRRHOTITE REMEDIATION.—The require-
13 ment of subsection (c)(1)(D) shall not apply to a
14 qualified rehabilitation under this subsection of a
15 qualified residence that is documented by an engi-
16 neer’s report and core testing to have a foundation
17 that is adversely impacted by pyrrhotite or other
18 iron sulfide minerals.

19 “(j) REGULATIONS.—The Secretary shall prescribe
20 such regulations as may be necessary or appropriate to
21 carry out the purposes of this section, including regula-
22 tions that prevent avoidance of the rules, and abuse of
23 the purposes, of this section.”.

24 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
25 NESS CREDIT.—Section 38(b) is amended by striking

1 “plus” at the end of paragraph (40), by striking the period
2 at the end of paragraph (41) and inserting “, plus”, and
3 by adding at the end the following new paragraph:

4 “(42) the neighborhood homes credit deter-
5 mined under section 42A(a).”.

6 (c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
7 IMUM TAX.—Section 38(c)(4)(B) is amended by redesignig-
8 nating clauses (iv) through (xii) as clauses (v) through
9 (xiii), respectively, and by inserting after clause (iii) the
10 following new clause:

11 “(iv) the credit determined under sec-
12 tion 42A,”.

13 (d) BASIS ADJUSTMENTS.—

14 (1) ENERGY EFFICIENT HOME IMPROVEMENT
15 CREDIT.—Section 25C(g) is amended by adding
16 after the first sentence the following new sentence:
17 “This subsection shall not apply for purposes of de-
18 termining the eligible development costs or adjusted
19 basis of any building under section 42A.”.

20 (2) RESIDENTIAL CLEAN ENERGY CREDIT.—
21 Section 25D(f) is amended by adding after the first
22 sentence the following new sentence: “This sub-
23 section shall not apply for purposes of determining
24 the eligible development costs or adjusted basis of
25 any building under section 42A.”.

1 (3) NEW ENERGY EFFICIENT HOME CREDIT.—
2 Section 45L(e) is amended by inserting “or for pur-
3 poses of determining the eligible development costs
4 or adjusted basis of any building under section 42A”
5 after “section 42”.

6 (e) EXCLUSION FROM GROSS INCOME.—Part III of
7 subchapter B of chapter 1 is amended by inserting before
8 section 140 the following new section:

9 **“SEC. 139M. STATE ENERGY SUBSIDIES FOR QUALIFIED**
10 **RESIDENCES.**

11 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-
12 come shall not include the value of any subsidy provided
13 to a taxpayer (whether directly or indirectly) by any State
14 energy office (as defined in section 124(a) of the Energy
15 Policy Act of 2005 (42 U.S.C. 15821(a))) for purposes
16 of any energy improvements made to a qualified residence
17 (as defined in section 42A(c)(1)).”.

18 (f) CONFORMING AMENDMENTS.—

19 (1) Subsections (i)(3)(C), (i)(6)(B)(i), and
20 (k)(1) of section 469 are each amended by inserting
21 “or 42A” after “section 42”.

22 (2) The table of sections for subpart D of part
23 IV of subchapter A of chapter 1 is amended by in-
24 serting after the item relating to section 42 the fol-
25 lowing new item:

“Sec. 42A. Neighborhood homes credit.”.

1 (3) The table of sections for part III of sub-
2 chapter B of chapter 1 is amended by inserting be-
3 fore the item relating to section 140 the following
4 new item:

“Sec. 139M. State energy subsidies for qualified residences.”.

5 (g) **EFFECTIVE DATE.**—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2025.

8 **SEC. 12003. MODIFICATION OF HISTORIC REHABILITATION**
9 **TAX CREDIT.**

10 (a) **FULL CREDIT ALLOWED IN THE YEAR BUILDING**
11 **PLACED IN SERVICE.**—Section 47(a) is amended to read
12 as follows:

13 “(a) **GENERAL RULE.**—For purposes of section 46,
14 the rehabilitation credit for any taxable year is 20 percent
15 of the qualified rehabilitation expenditures.”.

16 (b) **INCREASE IN THE REHABILITATION CREDIT FOR**
17 **CERTAIN SMALL PROJECTS.**—Section 47 is amended by
18 adding at the end the following new subsection:

19 “(e) **SPECIAL RULE REGARDING CERTAIN SMALL**
20 **PROJECTS.**—

21 “(1) **IN GENERAL.**—In the case of any quali-
22 fying small project with respect to which there is an
23 election in effect under this subsection—

24 “(A) the total qualified rehabilitation ex-
25 penditures taken into account for purposes of

1 this section with respect to the rehabilitation
2 shall not exceed \$3,750,000,

3 “(B) subsection (a) shall be applied by
4 substituting ‘30 percent’ for ‘20 percent’, and

5 “(C) subject to paragraph (4) and such
6 regulations or other guidance as the Secretary
7 may provide, the taxpayer may transfer all or
8 a portion of the credit determined under this
9 section with respect to such qualifying small
10 project.

11 “(2) QUALIFYING SMALL PROJECT.—For pur-
12 poses of this subsection, the term ‘qualifying small
13 project’ means any qualified rehabilitated building or
14 portion thereof if—

15 “(A) such building is placed in service
16 after the date of the enactment of this sub-
17 section, and

18 “(B) no credit was allowed under this sec-
19 tion (other than a credits allowed by reason of
20 subsection (d)) for either of the two imme-
21 diately preceding taxable years with respect to
22 such building.

23 “(3) SPECIAL RULE FOR RURAL PROJECTS.—

24 “(A) IN GENERAL.—In the case of any
25 qualifying small project in a rural area, para-

1 graph (1)(A) shall be applied by substituting
2 ‘\$5,000,000’ for ‘\$3,750,000’.

3 “(B) RURAL AREA.—For purposes of this
4 subparagraph, the term ‘rural area’ means any
5 area other than—

6 “(i) a city or town that has a popu-
7 lation of greater than 50,000 inhabitants,
8 or

9 “(ii) the urbanized area contiguous
10 and adjacent to a city or town described in
11 clause (i), as defined by the Bureau of the
12 Census based on the latest decennial cen-
13 sus of the United States.

14 “(4) TRANSFER OF CREDIT FOR QUALIFYING
15 SMALL PROJECTS.—

16 “(A) CERTIFICATION.—

17 “(i) IN GENERAL.—A transfer under
18 paragraph (1)(C) shall be accompanied by
19 a certificate which includes—

20 “(I) the certification for the cer-
21 tified historic structure referred to in
22 subsection (c)(3),

23 “(II) the taxpayer’s name, ad-
24 dress, tax identification number, date

1 of project completion, and the amount
2 of credit being transferred,

3 “(III) the transferee’s name, ad-
4 dress, tax identification number, and
5 the amount of credit being trans-
6 ferred, and

7 “(IV) such other information as
8 may be required by the Secretary.

9 “(ii) TRANSFERABILITY OF CERTIFI-
10 CATE.—A certificate issued under this sub-
11 section to a taxpayer shall be transferable
12 to any other taxpayer.

13 “(B) TAX TREATMENT RELATING TO CER-
14 TIFICATE.—

15 “(i) DISALLOWANCE OF DEDUC-
16 TION.—No deduction shall be allowed for
17 the amount of consideration paid or in-
18 curred by the transferee.

19 “(ii) ALLOWANCE OF CREDIT.—The
20 amount of credit transferred under para-
21 graph (1)(C)—

22 “(I) shall not be allowed to the
23 transferor for any taxable year, and

24 “(II) shall be allowable to the
25 transferee as a credit determined

1 under this section for the taxable year
2 of the transferee in which such credit
3 is transferred.

4 “(iii) EXCLUSION.—Gross income
5 shall not include any amount received in
6 connection with the transfer of the certifi-
7 cate.

8 “(C) RECAPTURE AND OTHER SPECIAL
9 RULES.—The taxpayer who claims a credit de-
10 termined under this section by reason of a
11 transfer of an amount of credit under para-
12 graph (1)(A) with respect to an applicable rural
13 project shall be treated as the taxpayer with re-
14 spect to such project for purposes of section 50.

15 “(D) INFORMATION REPORTING.—The
16 transferor and the transferee shall each make
17 such reports regarding the transfer of an
18 amount of credit under paragraph (1)(C) and
19 containing such information as the Secretary
20 may require. The reports required by this sub-
21 paragraph shall be filed at such time and in
22 such manner as may be required by the Sec-
23 retary.

24 “(E) REGULATIONS.—The Secretary shall
25 prescribe regulations or other guidance to carry

1 out paragraph (1)(C) and this paragraph in a
2 manner which is consistent with applicable re-
3 quirements with respect to transfer of credits
4 under section 6418.

5 “(5) ELECTION.—An election under this sub-
6 section shall be made at such time and in such man-
7 ner as the Secretary may by regulations prescribe.”.

8 (c) INCREASING THE TYPE OF BUILDINGS ELIGIBLE
9 FOR REHABILITATION.—Section 47(c)(1)(B)(i)(I) is
10 amended by inserting “50 percent of” before “the ad-
11 justed basis”.

12 (d) ELIMINATION OF REHABILITATION CREDIT
13 BASIS ADJUSTMENT.—

14 (1) IN GENERAL.—Section 50(e) is amended by
15 adding at the end the following new paragraph:

16 “(6) EXCEPTION FOR REHABILITATION CRED-
17 IT.—In the case of the rehabilitation credit, para-
18 graph (1) shall not apply.”.

19 (2) TREATMENT IN CASE OF CREDIT ALLOWED
20 TO LESSEE.—Section 50(d) is amended by adding at
21 the end the following: “In the case of the rehabilita-
22 tion credit, paragraph (5)(B) of the section 48(d) re-
23 ferred to in paragraph (5) of this subsection shall
24 not apply.”.

1 (e) MODIFICATIONS REGARDING CERTAIN TAX-EX-
2 EMPT USE PROPERTY.—Section 47(c)(2)(B)(v) is amend-
3 ed by adding at the end the following new subclause:

4 “(III) DISQUALIFIED LEASE
5 RULES TO APPLY ONLY IN CASE OF
6 GOVERNMENT ENTITY.—For purposes
7 of subclause (I), except in the case of
8 a tax-exempt entity described in sec-
9 tion 168(h)(2)(A)(i), the determina-
10 tion of whether property is tax-exempt
11 use property shall be made under sec-
12 tion 168(h) without regard to whether
13 the property is leased in a disqualified
14 lease (as defined in section
15 168(h)(1)(B)(ii)).”.

16 (f) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, the amendments made by
19 this section shall apply to property placed in service
20 after the date of the enactment of this Act.

21 (2) FULL CREDIT ALLOWED IN THE YEAR
22 BUILDING PLACED IN SERVICE.—The amendment
23 made by subsection (a) shall apply to property
24 placed in service after December 31, 2025.

1 **SEC. 12004. INCREASE OF EXCLUSION OF GAIN FROM SALE**
2 **OF PRINCIPAL RESIDENCE.**

3 (a) IN GENERAL.—Section 121(b) is amended—

4 (1) by striking “\$250,000” and inserting
5 “\$500,000” each place it appears,

6 (2) by striking “500,000” and inserting
7 “\$1,000,000” each place it appears,

8 (3) in paragraph (2)(A), in the heading, by
9 striking “\$500,000” and inserting “\$1,000,000”, and

10 (4) by adding at the end the following new
11 paragraph:

12 “(5) ADJUSTMENT FOR INFLATION.—In the
13 case of a taxable year beginning after 2026, the
14 \$500,000 and \$1,000,000 amounts in paragraphs
15 (1), (2), and (4) shall be increased by an amount
16 equal to—

17 “(A) such dollar amount, multiplied by

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

23 If any increase under this clause is not a multiple
24 of \$100, such increase shall be rounded to the next
25 lowest multiple of \$100.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to sales and exchanges after De-
3 cember 31, 2025.

4 **SEC. 12005. MIDDLE-INCOME HOUSING TAX CREDIT.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-
6 chapter A of chapter 1 is amended by inserting after sec-
7 tion 42 the following new section:

8 **“SEC. 42A. MIDDLE-INCOME HOUSING CREDIT.**

9 “(a) IN GENERAL.—For purposes of section 38, the
10 amount of the middle-income housing credit determined
11 under this section for any taxable year in the credit period
12 shall be an amount equal to—

13 “(1) the applicable percentage, of

14 “(2) the qualified basis of each qualified mid-
15 dle-income building.

16 “(b) APPLICABLE PERCENTAGE.—

17 “(1) DETERMINATION OF APPLICABLE PER-
18 CENTAGE.—For purposes of this section—

19 “(A) IN GENERAL.—The term ‘applicable
20 percentage’ means, with respect to any building,
21 the appropriate percentage prescribed by the
22 Secretary for the earlier of—

23 “(i) the month in which such building
24 is placed in service, or

1 “(ii) at the election of the taxpayer,
2 the month in which the taxpayer and the
3 housing credit agency enter into an agree-
4 ment with respect to such building (which
5 is binding on such agency, the taxpayer,
6 and all successors in interest) as to the
7 housing credit dollar amount to be allo-
8 cated to such building.

9 A month may be elected under clause (ii) only
10 if the election is made not later than the 5th
11 day after the close of such month. Such an elec-
12 tion, once made, shall be irrevocable.

13 “(B) METHOD OF PRESCRIBING PERCENT-
14 AGES.—The percentages prescribed by the Sec-
15 retary for any month shall be percentages which
16 will yield over a 15-year period amounts of
17 credit under subsection (a) which have a
18 present value equal to—

19 “(i) 50 percent of the qualified basis
20 of a new building which is not Federally
21 subsidized for the taxable year, and

22 “(ii) 20 percent of the qualified basis
23 of a building not described in clause (i).

1 “(C) METHOD OF DISCOUNTING.—The
2 present value under subparagraph (B) shall be
3 determined—

4 “(i) as of the last day of the 1st year
5 of the 15-year period referred to in sub-
6 paragraph (B),

7 “(ii) by using a discount rate equal to
8 72 percent of the average of the annual
9 Federal mid-term rate and the annual
10 Federal long-term rate applicable under
11 section 1274(d)(1) to the month applicable
12 under clause (i) or (ii) of subparagraph
13 (A) and compounded annually, and

14 “(iii) by assuming that the credit al-
15 lowable under this section for any year is
16 received on the last day of such year.

17 “(2) MINIMUM CREDIT RATE.—

18 “(A) IN GENERAL.—The applicable per-
19 centage for any building which is not Federally
20 subsidized for the taxable year shall not be less
21 than 5 percent.

22 “(B) MINIMUM CREDIT RATE FOR FEDER-
23 ALLY SUBSIDIZED BUILDINGS.—In the case of
24 any building to which subparagraph (A) does
25 not apply, except as provided in paragraph (3),

1 the applicable percentage shall not be less than
2 2 percent.

3 “(3) EXCEPTION FOR CERTAIN FEDERALLY
4 SUBSIDIZED BUILDINGS.—In the case of any build-
5 ing to which paragraph (2)(A) does not apply, the
6 applicable percentage is zero unless—

7 “(A) a credit is allowed under section 42
8 with respect to such building for the taxable
9 year, and

10 “(B) such building is financed by tax-ex-
11 empt bonds as described in section 42(h)(4).

12 “(4) CROSS REFERENCES.—

13 “(A) For treatment of certain rehabilita-
14 tion expenditures as separate new buildings, see
15 subsection (e).

16 “(B) For determination of applicable per-
17 centage for increases in qualified basis after the
18 1st year of the credit period, see subsection
19 (f)(3).

20 “(C) For authority of housing credit agen-
21 cy to limit applicable percentage and qualified
22 basis which may be taken into account under
23 this section with respect to any building, see
24 subsection (h)(6).

1 “(c) QUALIFIED BASIS; QUALIFIED MIDDLE-INCOME
2 BUILDING.—For purposes of this section—

3 “(1) QUALIFIED BASIS.—

4 “(A) DETERMINATION.—The qualified
5 basis of any qualified middle-income building
6 for any taxable year is an amount equal to—

7 “(i) the applicable fraction (deter-
8 mined as of the close of such taxable year)
9 of

10 “(ii) the eligible basis of such building
11 (determined under subsection (d)).

12 “(B) APPLICABLE FRACTION.—For pur-
13 poses of subparagraph (A), the term ‘applicable
14 fraction’ means the smaller of the unit fraction
15 or the floor space fraction.

16 “(C) UNIT FRACTION.—For purposes of
17 subparagraph (B), the term ‘unit fraction’
18 means the fraction—

19 “(i) the numerator of which is the
20 number of middle-income units in the
21 building, and

22 “(ii) the denominator of which is the
23 number of residential rental units (whether
24 or not occupied) in such building.

1 “(D) FLOOR SPACE FRACTION.—For pur-
2 poses of subparagraph (B), the term ‘floor
3 space fraction’ means the fraction—

4 “(i) the numerator of which is the
5 total floor space of the middle-income units
6 in such building, and

7 “(ii) the denominator of which is the
8 total floor space of the residential rental
9 units (whether or not occupied) in such
10 building.

11 “(2) QUALIFIED MIDDLE-INCOME BUILDING.—
12 The term ‘qualified middle-income building’ means
13 any building which is part of a qualified middle-in-
14 come housing project at all times during the pe-
15 riod—

16 “(A) beginning on the 1st day in the credit
17 period on which such building is part of such a
18 project, and

19 “(B) ending on the last day of the credit
20 period with respect to such building.

21 “(d) ELIGIBLE BASIS.—For purposes of this sec-
22 tion—

23 “(1) NEW BUILDINGS.—The eligible basis of a
24 new building is its adjusted basis as of the close of
25 the 1st taxable year of the credit period.

1 “(2) EXISTING BUILDINGS.—

2 “(A) IN GENERAL.—The eligible basis of
3 an existing building is—

4 “(i) in the case of a building which
5 meets the requirements of subparagraph
6 (B), its adjusted basis as of the close of
7 the 1st taxable year of the credit period,
8 and

9 “(ii) zero in any other case.

10 “(B) REQUIREMENTS.—A building meets
11 the requirements of this subparagraph if—

12 “(i) the building is acquired by pur-
13 chase (as defined in section 179(d)(2)),

14 “(ii) there is a period of at least 10
15 years between the date of its acquisition by
16 the taxpayer and the date the building was
17 last placed in service,

18 “(iii) the building was not previously
19 placed in service by the taxpayer or by any
20 person who was a related person with re-
21 spect to the taxpayer as of the time pre-
22 viously placed in service, and

23 “(iv) except as provided in subsection
24 (f)(5), a credit is allowable under sub-

1 section (a) by reason of subsection (e) with
2 respect to the building.

3 “(C) ADJUSTED BASIS.—For purposes of
4 subparagraph (A), the adjusted basis of any
5 building shall not include so much of the basis
6 of such building as is determined by reference
7 to the basis of other property held at any time
8 by the person acquiring the building.

9 “(D) SPECIAL RULES.—

10 “(i) SPECIAL RULES FOR CERTAIN
11 TRANSFERS.—For purposes of determining
12 under subparagraph (B)(ii) when a build-
13 ing was last placed in service, there shall
14 not be taken into account any placement in
15 service—

16 “(I) in connection with the acqui-
17 sition of the building in a transaction
18 in which the basis of the building in
19 the hands of the person acquiring it is
20 determined in whole or in part by ref-
21 erence to the adjusted basis of such
22 building in the hands of the person
23 from whom acquired,

24 “(II) by a person whose basis in
25 such building is determined under sec-

1 tion 1014(a) (relating to property ac-
2 quired from a decedent),

3 “(III) by any governmental unit
4 or qualified nonprofit organization if
5 the requirements of subparagraph
6 (B)(ii) are met with respect to the
7 placement in service by such unit or
8 organization and all the income from
9 such property is exempt from Federal
10 income taxation,

11 “(IV) by any person who ac-
12 quired such building by foreclosure
13 (or by instrument in lieu of fore-
14 closure) of any purchase-money secu-
15 rity interest held by such person if the
16 requirements of subparagraph (B)(ii)
17 are met with respect to the placement
18 in service by such person and such
19 building is resold within 12 months
20 after the date such building is placed
21 in service by such person after such
22 foreclosure, or

23 “(V) of a single-family residence
24 by any individual who owned and used

1 such residence for no other purpose
2 than as his principal residence.

3 “(ii) RELATED PERSON.—For pur-
4 poses of subparagraph (B)(iii), a person
5 (hereinafter in this subclause referred to as
6 the ‘related person’) is related to any per-
7 son if the related person bears a relation-
8 ship to such person specified in section
9 267(b) or 707(b)(1), or the related person
10 and such person are engaged in trades or
11 businesses under common control (within
12 the meaning of subsections (a) and (b) of
13 section 52).

14 “(3) SPECIAL RULES RELATING TO DETER-
15 MINATION OF ADJUSTED BASIS.—For purposes of
16 this subsection—

17 “(A) IN GENERAL.—Except as provided in
18 subparagraph (B), the adjusted basis of any
19 building shall be determined without regard to
20 the adjusted basis of any property which is not
21 residential rental property.

22 “(B) BASIS OF PROPERTY IN COMMON
23 AREAS, ETC., INCLUDED.—

24 “(i) IN GENERAL.—Except as pro-
25 vided in clause (ii), the adjusted basis of

1 any building shall be determined by taking
2 into account the adjusted basis of property
3 (of a character subject to the allowance for
4 depreciation) used in common areas or
5 provided as comparable amenities to all
6 residential rental units in such building.

7 “(ii) SPECIAL RULE.—In the case of
8 any building for which the low-income
9 housing tax credit is allowable under sec-
10 tion 42, the adjusted basis of the building
11 under this section shall be determined
12 without regard to property used in com-
13 mon areas or provided as comparable
14 amenities to all residential rental units in
15 such building.

16 “(C) NO REDUCTION FOR DEPRECIATION.—The adjusted basis of any building shall
17 be determined without regard to paragraphs (2)
18 and (3) of section 1016(a).

19 “(4) SPECIAL RULES FOR DETERMINING ELIGI-
20 BLE BASIS.—

21 “(A) FEDERAL GRANTS NOT TAKEN INTO
22 ACCOUNT IN DETERMINING ELIGIBLE BASIS.—
23 The eligible basis of a building shall not include
24

1 any costs financed with the proceeds of a Fed-
2 erally funded grant.

3 “(B) INCREASE IN CREDIT FOR BUILDINGS
4 IN HIGH COST AREAS.—

5 “(i) IN GENERAL.—In the case of any
6 building located in a difficult development
7 area which is designated for purposes of
8 this subparagraph—

9 “(I) in the case of a new build-
10 ing, the eligible basis of such building
11 shall be 130 percent of such basis de-
12 termined without regard to this sub-
13 paragraph, and

14 “(II) in the case of an existing
15 building, the rehabilitation expendi-
16 tures taken into account under sub-
17 section (e) shall be 130 percent of
18 such expenditures determined without
19 regard to this subparagraph.

20 “(ii) LIMITATION.—Clause (i) shall
21 not apply to any building if paragraph (1)
22 of subsection (h) does not apply to any
23 portion of the eligible basis of such build-
24 ing by reason of paragraph (9) of such
25 subsection.

1 “(iii) DIFFICULT DEVELOPMENT
2 AREAS.—

3 “(I) IN GENERAL.—The term
4 ‘difficult development areas’ means
5 any area designated by the Secretary
6 of Housing and Urban Development
7 as an area which has high construc-
8 tion, land, or utility costs relative to
9 area median gross income, any rural
10 area, and any Indian area.

11 “(II) RURAL AREA.—For pur-
12 poses of subclause (I), the term ‘rural
13 area’ means any non-metropolitan
14 area, or any rural area as defined by
15 section 520 of the Housing Act of
16 1949, which is identified by the quali-
17 fied allocation plan under subsection
18 (m)(1)(B).

19 “(III) INDIAN AREA.—For pur-
20 poses of subclause (I), the term ‘In-
21 dian area’ means any Indian area (as
22 defined in section 4(11) of the Native
23 American Housing Assistance and
24 Self Determination Act of 1996 (25
25 U.S.C. 4103(11))).

1 “(IV) SPECIAL RULE FOR BUILD-
2 INGS IN INDIAN AREAS.—In the case
3 of an area which is a difficult develop-
4 ment area solely because it is an In-
5 dian area, a building shall not be
6 treated as located in such area unless
7 such building is assisted or financed
8 under the Native American Housing
9 Assistance and Self Determination
10 Act of 1996 (25 U.S.C. 4101 et seq.)
11 or the project sponsor is an Indian
12 tribe (as defined in section
13 45A(c)(6)), a tribally designated hous-
14 ing entity (as defined in section 4(22)
15 of such Act (25 U.S.C. 4103(22))), or
16 wholly owned or controlled by such an
17 Indian tribe or tribally designated
18 housing entity.

19 “(V) LIMIT ON AREAS DES-
20 IGNATED.—The portions of metropoli-
21 tan statistical areas which may be
22 designated for purposes of this sub-
23 paragraph shall not exceed an aggre-
24 gate area having 20 percent of the
25 population of such metropolitan sta-

1 tistical areas. A comparable rule shall
2 apply to nonmetropolitan areas.

3 “(iv) SPECIAL RULES AND DEFINI-
4 TIONS.—For purposes of this subpara-
5 graph—

6 “(I) population shall be deter-
7 mined on the basis of the most recent
8 decennial census for which data are
9 available,

10 “(II) area median gross income
11 shall be determined in accordance
12 with subsection (g)(4),

13 “(III) the term ‘metropolitan sta-
14 tistical area’ has the same meaning as
15 when used in section 143(k)(2)(B),
16 and

17 “(IV) the term ‘nonmetropolitan
18 area’ means any county (or portion
19 thereof) which is not within a metro-
20 politan statistical area.

21 “(v) BUILDINGS DESIGNATED BY
22 STATE HOUSING CREDIT AGENCY.—Any
23 building which is designated by the State
24 housing credit agency as requiring the in-
25 crease in credit under this subparagraph in

1 order for such building to be financially
2 feasible as part of a qualified middle-in-
3 come housing project shall be treated for
4 purposes of this subparagraph as located
5 in a difficult development area which is
6 designated for purposes of this subpara-
7 graph.

8 “(5) CREDIT ALLOWABLE FOR CERTAIN BUILD-
9 INGS ACQUIRED DURING 10-YEAR PERIOD.—On ap-
10 plication by the taxpayer, the Secretary may waive
11 paragraph (2)(B)(ii) with respect to any building ac-
12 quired from an insured depository institution in de-
13 fault (as defined in section 3 of the Federal Deposit
14 Insurance Act) or from a receiver or conservator of
15 such an institution.

16 “(6) ACQUISITION OF BUILDING BEFORE END
17 OF PRIOR CREDIT PERIOD.—

18 “(A) IN GENERAL.—Under regulations
19 prescribed by the Secretary, in the case of a
20 building described in subparagraph (B) (or in-
21 terest therein) which is acquired by the tax-
22 payer—

23 “(i) paragraph (2)(B) shall not apply,
24 but

1 “(ii) the credit allowable by reason of
2 subsection (a) to the taxpayer for any pe-
3 riod after such acquisition shall be equal to
4 the amount of credit which would have
5 been allowable under subsection (a) for
6 such period to the prior owner referred to
7 in subparagraph (B) had such owner not
8 disposed of the building.

9 “(B) DESCRIPTION OF BUILDING.—A
10 building is described in this subparagraph if—

11 “(i) a credit was allowed by reason of
12 subsection (a) to any prior owner of such
13 building, and

14 “(ii) the taxpayer acquired such build-
15 ing before the end of the credit period for
16 such building with respect to such prior
17 owner (determined without regard to any
18 disposition by such prior owner).

19 “(e) REHABILITATION EXPENDITURES TREATED AS
20 SEPARATE NEW BUILDING.—

21 “(1) IN GENERAL.—Rehabilitation expenditures
22 paid or incurred by the taxpayer with respect to any
23 building shall be treated for purposes of this section
24 as a separate new building.

1 “(2) REHABILITATION EXPENDITURES.—For
2 purposes of paragraph (1)—

3 “(A) IN GENERAL.—The term ‘rehabilita-
4 tion expenditures’ means amounts chargeable to
5 capital account and incurred for property (or
6 additions or improvements to property) of a
7 character subject to the allowance for deprecia-
8 tion in connection with the rehabilitation of a
9 building.

10 “(B) COST OF ACQUISITION, ETC., NOT IN-
11 CLUDED.—Such term does not include the cost
12 of acquiring any building (or interest therein)
13 or any amount not permitted to be taken into
14 account under paragraph (3) of subsection (d).

15 “(C) CERTAIN RELOCATION COSTS.—In
16 the case of a rehabilitation of a building to
17 which section 280B does not apply, costs relat-
18 ing to the relocation of occupants, including—

19 “(i) amounts paid to occupants,

20 “(ii) amounts paid to third parties for
21 services relating to such relocation, and

22 “(iii) amounts paid for temporary
23 housing for occupants,

1 shall be treated as chargeable to capital account
2 and taken into account as rehabilitation ex-
3 penditures.

4 “(3) MINIMUM EXPENDITURES TO QUALIFY.—

5 “(A) IN GENERAL.—Paragraph (1) shall
6 apply to rehabilitation expenditures with respect
7 to any building only if—

8 “(i) the expenditures are allocable to
9 1 or more middle-income units or substan-
10 tially benefit such units, and

11 “(ii) the amount of such expenditures
12 during any 24-month period meets the re-
13 quirements of whichever of the following
14 subclauses requires the greater amount of
15 such expenditures:

16 “(I) The requirement of this sub-
17 clause is met if such amount is not
18 less than 20 percent of the adjusted
19 basis of the building (determined as of
20 the 1st day of such period and with-
21 out regard to paragraphs (2) and (3)
22 of section 1016(a)).

23 “(II) The requirement of this
24 subclause is met if the qualified basis
25 attributable to such amount, when di-

1 vided by the number of middle-income
2 units in the building, is equal to or
3 greater than the dollar amount in ef-
4 fect under section 42(e)(3)(A)(ii)(II)
5 for the calendar year in which such
6 expenditures are treated as placed in
7 service under paragraph (4).

8 “(B) DATE OF DETERMINATION.—The de-
9 termination under subparagraph (A) shall be
10 made as of the close of the 1st taxable year in
11 the credit period with respect to such expendi-
12 tures.

13 “(4) SPECIAL RULES.—For purposes of apply-
14 ing this section with respect to expenditures which
15 are treated as a separate building by reason of this
16 subsection—

17 “(A) such expenditures shall be treated as
18 placed in service at the close of the 24-month
19 period referred to in paragraph (3)(A), and

20 “(B) the applicable fraction under sub-
21 section (c)(1) shall be the applicable fraction for
22 the building (without regard to paragraph (1))
23 with respect to which the expenditures were in-
24 curred.

1 Nothing in subsection (d)(2) shall prevent a credit
2 from being allowed by reason of this subsection.

3 “(5) NO DOUBLE COUNTING.—Rehabilitation
4 expenditures may, at the election of the taxpayer, be
5 taken into account under this subsection or sub-
6 section (d)(2)(A)(i) but not under both such sub-
7 sections.

8 “(6) REGULATIONS TO APPLY SUBSECTION
9 WITH RESPECT TO GROUP OF UNITS IN BUILDING.—
10 The Secretary may prescribe regulations, consistent
11 with the purposes of this subsection, treating a
12 group of units with respect to which rehabilitation
13 expenditures are incurred as a separate new build-
14 ing.

15 “(f) DEFINITION AND SPECIAL RULES RELATING TO
16 CREDIT PERIOD.—

17 “(1) CREDIT PERIOD DEFINED.—For purposes
18 of this section, the term ‘credit period’ means, with
19 respect to any building, the period of 15 taxable
20 years beginning with—

21 “(A) the taxable year in which the building
22 is placed in service, or

23 “(B) at the election of the taxpayer, the
24 succeeding taxable year,

1 but only if the building is a qualified middle-income
2 building as of the close of the 1st year of such pe-
3 riod. The election under subparagraph (B), once
4 made, shall be irrevocable.

5 “(2) SPECIAL RULE FOR 1ST YEAR OF CREDIT
6 PERIOD.—

7 “(A) IN GENERAL.—The credit allowable
8 under subsection (a) with respect to any build-
9 ing for the 1st taxable year of the credit period
10 shall be determined by substituting for the ap-
11 plicable fraction under subsection (c)(1) the
12 fraction—

13 “(i) the numerator of which is the
14 sum of the applicable fractions determined
15 under subsection (c)(1) as of the close of
16 each full month of such year during which
17 such building was in service, and

18 “(ii) the denominator of which is 12.

19 “(B) DISALLOWED 1ST-YEAR CREDIT AL-
20 LOWED IN 16TH YEAR.—Any reduction by rea-
21 son of subparagraph (A) in the credit allowable
22 (without regard to subparagraph (A)) for the
23 1st taxable year of the credit period shall be al-
24 lowable under subsection (a) for the 1st taxable
25 year following the credit period.

1 “(3) DETERMINATION OF APPLICABLE PER-
2 CENTAGE WITH RESPECT TO INCREASES IN QUALI-
3 FIED BASIS AFTER 1ST YEAR OF CREDIT PERIOD.—

4 “(A) IN GENERAL.—In the case of any
5 building which was a qualified middle-income
6 building as of the close of the 1st year of the
7 credit period, if—

8 “(i) as of the close of any taxable year
9 in the credit period (after the 1st year of
10 such period) the qualified basis of such
11 building, exceeds

12 “(ii) the qualified basis of such build-
13 ing as of the close of the 1st year of the
14 credit period,

15 the applicable percentage which shall apply
16 under subsection (a) for the taxable year to
17 such excess shall be the percentage equal to $\frac{2}{3}$
18 of the applicable percentage which (after the
19 application of subsection (h)) would but for this
20 paragraph apply to such basis.

21 “(B) 1ST YEAR COMPUTATION APPLIES.—

22 A rule similar to the rule of paragraph (2)(A)
23 shall apply to any increase in qualified basis to
24 which subparagraph (A) applies for the 1st year
25 of such increase.

1 “(4) DISPOSITIONS OF PROPERTY.—If a build-
2 ing (or an interest therein) is disposed of during any
3 year for which credit is allowable under subsection
4 (a), such credit shall be allocated between the par-
5 ties on the basis of the number of days during such
6 year the building (or interest) was held by each.

7 “(5) CREDIT PERIOD FOR EXISTING BUILDINGS
8 NOT TO BEGIN BEFORE REHABILITATION CREDIT
9 ALLOWED.—

10 “(A) IN GENERAL.—The credit period for
11 an existing building shall not begin before the
12 1st taxable year of the credit period for reha-
13 bilitation expenditures with respect to the build-
14 ing.

15 “(B) ACQUISITION CREDIT ALLOWED FOR
16 CERTAIN BUILDINGS NOT ALLOWED A REHA-
17 BILITATION CREDIT.—

18 “(i) IN GENERAL.—In the case of a
19 building described in clause (ii)—

20 “(I) subsection (d)(2)(B)(iv)
21 shall not apply, and

22 “(II) the credit period for such
23 building shall not begin before the
24 taxable year which would be the 1st
25 taxable year of the credit period for

1 rehabilitation expenditures with re-
2 spect to the building under the modi-
3 fications described in clause (ii)(II).

4 “(ii) BUILDING DESCRIBED.—A build-
5 ing is described in this clause if—

6 “(I) a waiver is granted under
7 subsection (d)(4) with respect to the
8 acquisition of the building, and

9 “(II) a credit would be allowed
10 for rehabilitation expenditures with
11 respect to such building if subsection
12 (e)(3)(A)(ii)(I) did not apply and if
13 the dollar amount in effect under sub-
14 section (e)(3)(A)(ii)(II) were two-
15 thirds of such amount.

16 “(g) QUALIFIED MIDDLE-INCOME HOUSING
17 PROJECT.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualified middle-
19 income housing project’ means any project for resi-
20 dential rental property if—

21 “(A) 60 percent or more of the residential
22 units in such project are both rent-restricted
23 and occupied by individuals whose income is
24 100 percent or less of area median gross in-
25 come, and

1 “(B) not less than 20 percent of the resi-
2 dential units in such project are units which—

3 “(i) are described in subparagraph
4 (A), and

5 “(ii) are not residential units which
6 are taken into account under section 42.

7 “(2) RENT-RESTRICTED UNITS.—

8 “(A) IN GENERAL.—For purposes of para-
9 graph (1), a residential unit is rent-restricted if
10 the gross rent with respect to such unit does
11 not exceed 30 percent of the imputed income
12 limitation applicable to such unit. For purposes
13 of the preceding sentence, the amount of the in-
14 come limitation under paragraph (1) applicable
15 for any period shall not be less than such limi-
16 tation applicable for the earliest period the
17 building (which contains the unit) was included
18 in the determination of whether the project is
19 a qualified middle-income housing project.

20 “(B) GROSS RENT.—For purposes of sub-
21 paragraph (A), gross rent—

22 “(i) includes any utility allowance de-
23 termined by the Secretary after taking into
24 account such determinations under section

1 8 of the United States Housing Act of
2 1937,

3 “(ii) does not include any fee for a
4 supportive service which is paid to the
5 owner of the unit (on the basis of the mid-
6 dle-income status of the tenant of the unit)
7 by any governmental program of assistance
8 (or by an organization described in section
9 501(c)(3) and exempt from tax under sec-
10 tion 501(a)) if such program (or organiza-
11 tion) provides assistance for rent and the
12 amount of assistance provided for rent is
13 not separable from the amount of assist-
14 ance provided for supportive services, and

15 “(iii) does not include any rental pay-
16 ment to the owner of the unit to the extent
17 such owner pays an equivalent amount to
18 the Farmers’ Home Administration under
19 section 515 of the Housing Act of 1949.

20 For purposes of clause (ii), the term ‘supportive
21 service’ means any service provided under a
22 planned program of services designed to enable
23 residents of a residential rental property to re-
24 main independent and avoid placement in a
25 hospital, nursing home, or intermediate care fa-

1 cility for the mentally or physically handi-
2 capped.

3 “(C) IMPUTED INCOME LIMITATION APPLI-
4 CABLE TO UNIT.—For purposes of this para-
5 graph, the imputed income limitation applicable
6 to a unit is the income limitation which would
7 apply under paragraph (1) to individuals occu-
8 pying the unit if the number of individuals oc-
9 cupying the unit were as follows:

10 “(i) In the case of a unit which does
11 not have a separate bedroom, 1 individual.

12 “(ii) In the case of a unit which has
13 1 or more separate bedrooms, 1.5 individ-
14 uals for each separate bedroom.

15 In the case of a project with respect to which
16 a credit is allowable by reason of this section
17 and for which financing is provided by a bond
18 described in section 142(a)(7), the imputed in-
19 come limitation shall apply in lieu of the other-
20 wise applicable income limitation for purposes
21 of applying section 142(d)(4)(B)(ii).

22 “(D) TREATMENT OF UNITS OCCUPIED BY
23 INDIVIDUALS WHOSE INCOMES RISE ABOVE
24 LIMIT.—

1 “(i) IN GENERAL.—Except as pro-
2 vided in clause (ii), notwithstanding an in-
3 crease in the income of the occupants of a
4 middle-income unit above the income limi-
5 tation applicable under paragraph (1),
6 such unit shall continue to be treated as a
7 middle-income unit if the income of such
8 occupants initially met such income limita-
9 tion and such unit continues to be rent-re-
10 stricted.

11 “(ii) NEXT AVAILABLE UNIT MUST BE
12 RENTED TO MIDDLE-INCOME TENANT IF
13 INCOME RISES ABOVE 140 PERCENT OF IN-
14 COME LIMIT.—If the income of the occu-
15 pants of the unit increases above 140 per-
16 cent of the income limitation applicable
17 under paragraph (1), clause (i) shall cease
18 to apply to such unit if any residential
19 rental unit in the building (of a size com-
20 parable to, or smaller than, such unit) is
21 occupied by a new resident whose income
22 exceeds such income limitation.

23 “(3) DATE FOR MEETING REQUIREMENTS.—

24 “(A) IN GENERAL.—Except as otherwise
25 provided in this paragraph, a building shall be

1 treated as a qualified middle-income building
2 only if the project (of which such building is a
3 part) meets the requirements of paragraph (1)
4 not later than the close of the 1st year of the
5 credit period for such building.

6 “(B) BUILDINGS WHICH RELY ON LATER
7 BUILDINGS FOR QUALIFICATION.—

8 “(i) IN GENERAL.—In determining
9 whether a building (hereinafter in this sub-
10 paragraph referred to as the ‘prior build-
11 ing’) is a qualified middle-income building,
12 the taxpayer may take into account 1 or
13 more additional buildings placed in service
14 during the 12-month period described in
15 subparagraph (A) with respect to the prior
16 building only if the taxpayer elects to apply
17 clause (ii) with respect to each additional
18 building taken into account.

19 “(ii) TREATMENT OF ELECTED
20 BUILDINGS.—In the case of a building
21 which the taxpayer elects to take into ac-
22 count under clause (i), the period under
23 subparagraph (A) for such building shall
24 end at the close of the 12-month period ap-
25 plicable to the prior building.

1 “(iii) DATE PRIOR BUILDING IS
2 TREATED AS PLACED IN SERVICE.—For
3 purposes of determining the credit period
4 for the prior building, the prior building
5 shall be treated for purposes of this section
6 as placed in service on the most recent
7 date any additional building elected by the
8 taxpayer (with respect to such prior build-
9 ing) was placed in service.

10 “(C) SPECIAL RULE.—A building—

11 “(i) other than the 1st building placed
12 in service as part of a project, and

13 “(ii) other than a building which is
14 placed in service during the 12-month pe-
15 riod described in subparagraph (A) with
16 respect to a prior building which becomes
17 a qualified middle-income building,

18 shall in no event be treated as a qualified mid-
19 dle-income building unless the project is a
20 qualified middle-income housing project (with-
21 out regard to such building) on the date such
22 building is placed in service.

23 “(D) PROJECTS WITH MORE THAN 1
24 BUILDING MUST BE IDENTIFIED.—For pur-
25 poses of this section, a project shall be treated

1 as consisting of only 1 building unless, before
2 the close of the 1st calendar year in the project
3 period (as defined in subsection (h)(1)(F)(ii)),
4 each building which is (or will be) part of such
5 project is identified in such form and manner
6 as the Secretary may provide.

7 “(4) CERTAIN RULES MADE APPLICABLE.—
8 Paragraphs (2) (other than subparagraph (A) there-
9 of), (3), and (7) of section 142(d), and section
10 6652(j), shall apply for purposes of determining
11 whether any project is a qualified middle-income
12 housing project and whether any unit is a middle-in-
13 come unit; except that, in applying such provisions
14 for such purposes—

15 “(A) the term ‘gross rent’ shall have the
16 meaning given such term by paragraph (2)(B)
17 of this subsection, and

18 “(B) the term ‘applicable income limit’
19 means the limitation under paragraph (1) of
20 this subsection.

21 “(5) ELECTION TO TREAT BUILDING AFTER
22 CREDIT PERIOD AS NOT PART OF A PROJECT.—For
23 purposes of this section, the taxpayer may elect to
24 treat any building as not part of a qualified middle-

1 income housing project for any period beginning
2 after the credit period for such building.

3 “(6) SPECIAL RULE WHERE DE MINIMIS EQ-
4 UITY CONTRIBUTION.—Property shall not be treated
5 as failing to be residential rental property for pur-
6 poses of this section merely because the occupant of
7 a residential unit in the project pays (on a voluntary
8 basis) to the lessor a de minimis amount to be held
9 toward the purchase by such occupant of a residen-
10 tial unit in such project if—

11 “(A) all amounts so paid are refunded to
12 the occupant on the cessation of his occupancy
13 of a unit in the project, and

14 “(B) the purchase of the unit is not per-
15 mitted until after the close of the credit period
16 with respect to the building in which the unit
17 is located.

18 Any amount paid to the lessor as described in the
19 preceding sentence shall be included in gross rent
20 under paragraph (2) for purposes of determining
21 whether the unit is rent-restricted.

22 “(7) SCATTERED SITE PROJECTS.—Buildings
23 which would (but for their lack of proximity) be
24 treated as a project for purposes of this section shall
25 be so treated if all of the dwelling units in each of

1 the buildings are rent-restricted (within the meaning
2 of paragraph (2)) residential rental units.

3 “(8) WAIVER OF CERTAIN RECERTIFI-
4 CATIONS.—On application by the taxpayer, the Sec-
5 retary may waive any annual recertification of ten-
6 ant income for purposes of this subsection, if the en-
7 tire building is occupied by middle-income tenants.

8 “(9) CLARIFICATION OF GENERAL PUBLIC USE
9 REQUIREMENT.—A project does not fail to meet the
10 general public use requirement solely because of oc-
11 cupancy restrictions or preferences that favor ten-
12 ants—

13 “(A) with special needs, or

14 “(B) who are members of a specified group
15 under a Federal program or State program or
16 policy that supports housing for such a speci-
17 fied group.

18 “(h) LIMITATION ON AGGREGATE CREDIT ALLOW-
19 ABLE WITH RESPECT TO PROJECTS LOCATED IN A
20 STATE.—

21 “(1) CREDIT MAY NOT EXCEED CREDIT
22 AMOUNT ALLOCATED TO BUILDING.—

23 “(A) IN GENERAL.—The amount of the
24 credit determined under this section for any
25 taxable year with respect to any building shall

1 not exceed the housing credit dollar amount al-
2 located to such building under this subsection.

3 “(B) TIME FOR MAKING ALLOCATION.—

4 Except in the case of an allocation which meets
5 the requirements of subparagraph (C), (D),
6 (E), or (F), an allocation shall be taken into ac-
7 count under subparagraph (A) only if it is
8 made not later than the close of the calendar
9 year in which the building is placed in service.

10 “(C) EXCEPTION WHERE BINDING COM-

11 MITMENT.—An allocation meets the require-
12 ments of this subparagraph if there is a binding
13 commitment (not later than the close of the cal-
14 endar year in which the building is placed in
15 service) by the housing credit agency to allocate
16 a specified housing credit dollar amount to such
17 building beginning in a specified later taxable
18 year.

19 “(D) EXCEPTION WHERE INCREASE IN
20 QUALIFIED BASIS.—

21 “(i) IN GENERAL.—An allocation
22 meets the requirements of this subpara-
23 graph if such allocation is made not later
24 than the close of the calendar year in
25 which ends the taxable year to which it will

1 1st apply but only to the extent the
2 amount of such allocation does not exceed
3 the limitation under clause (ii).

4 “(ii) LIMITATION.—The limitation
5 under this clause is the amount of credit
6 allowable under this section (without re-
7 gard to this subsection) for a taxable year
8 with respect to an increase in the qualified
9 basis of the building equal to the excess
10 of—

11 “(I) the qualified basis of such
12 building as of the close of the 1st tax-
13 able year to which such allocation will
14 apply, over

15 “(II) the qualified basis of such
16 building as of the close of the 1st tax-
17 able year to which the most recent
18 prior housing credit allocation with re-
19 spect to such building applied.

20 “(iii) HOUSING CREDIT DOLLAR
21 AMOUNT REDUCED BY FULL ALLOCA-
22 TION.—Notwithstanding clause (i), the full
23 amount of the allocation shall be taken
24 into account under paragraph (2).

1 “(E) EXCEPTION WHERE 10 PERCENT OF
2 COST INCURRED.—

3 “(i) IN GENERAL.—An allocation
4 meets the requirements of this subpara-
5 graph if such allocation is made with re-
6 spect to a qualified building which is
7 placed in service not later than the close of
8 the second calendar year following the cal-
9 endar year in which the allocation is made.

10 “(ii) QUALIFIED BUILDING.—For pur-
11 poses of clause (i), the term ‘qualified
12 building’ means any building which is part
13 of a project if the taxpayer’s basis in such
14 project (as of the date which is 1 year
15 after the date that the allocation was
16 made) is more than 10 percent of the tax-
17 payer’s reasonably expected basis in such
18 project (as of the close of the second cal-
19 endar year referred to in clause (i)). Such
20 term does not include any existing building
21 unless a credit is allowable under sub-
22 section (e) for rehabilitation expenditures
23 paid or incurred by the taxpayer with re-
24 spect to such building for a taxable year
25 ending during the second calendar year re-

1 ferred to in clause (i) or the prior taxable
2 year.

3 “(F) ALLOCATION OF CREDIT ON A
4 PROJECT BASIS.—

5 “(i) IN GENERAL.—In the case of a
6 project which includes (or will include)
7 more than 1 building, an allocation meets
8 the requirements of this subparagraph if—

9 “(I) the allocation is made to the
10 project for a calendar year during the
11 project period,

12 “(II) the allocation only applies
13 to buildings placed in service during
14 or after the calendar year for which
15 the allocation is made, and

16 “(III) the portion of such alloca-
17 tion which is allocated to any building
18 in such project is specified not later
19 than the close of the calendar year in
20 which the building is placed in service.

21 “(ii) PROJECT PERIOD.—For pur-
22 poses of clause (i), the term ‘project pe-
23 riod’ means the period—

24 “(I) beginning with the 1st cal-
25 endar year for which an allocation

1 may be made for the 1st building
2 placed in service as part of such
3 project, and

4 “(II) ending with the calendar
5 year the last building is placed in
6 service as part of such project.

7 “(2) ALLOCATED CREDIT AMOUNT TO APPLY
8 TO ALL TAXABLE YEARS ENDING DURING OR AFTER
9 CREDIT ALLOCATION YEAR.—Any housing credit dol-
10 lar amount allocated to any building for any cal-
11 endar year—

12 “(A) shall apply to such building for all
13 taxable years in the credit period ending during
14 or after such calendar year, and

15 “(B) shall reduce the aggregate housing
16 credit dollar amount of the allocating agency
17 only for such calendar year.

18 “(3) HOUSING CREDIT DOLLAR AMOUNT FOR
19 AGENCIES.—

20 “(A) IN GENERAL.—The aggregate hous-
21 ing credit dollar amount which a housing credit
22 agency may allocate for any calendar year is
23 the portion of the State housing credit ceiling
24 allocated under this paragraph for such cal-
25 endar year to such agency.

1 “(B) STATE CEILING INITIALLY ALLO-
2 CATED TO STATE HOUSING CREDIT AGEN-
3 CIES.—Except as provided in subparagraph
4 (D), the State housing credit ceiling for each
5 calendar year shall be allocated to the housing
6 credit agency of such State. If there is more
7 than 1 housing credit agency of a State, all
8 such agencies shall be treated as a single agen-
9 cy.

10 “(C) STATE HOUSING CREDIT CEILING.—
11 The State housing credit ceiling applicable to
12 any State for any calendar year shall be an
13 amount equal to the sum of—

14 “(i) the unused State housing credit
15 ceiling (if any) of such State for the pre-
16 ceding calendar year,

17 “(ii) the greater of—

18 “(I) \$1.00 multiplied by the
19 State population, or

20 “(II) \$1,500,000, plus

21 “(iii) the amount of State housing
22 credit ceiling returned in the calendar year.

23 For purposes of clause (i), the unused State
24 housing credit ceiling for any calendar year is
25 the excess (if any) of the sum of the amounts

1 described in clauses (ii) (reduced by the aggregate
2 amounts described in paragraph (10)(A)(i)
3 with respect to all elections made for such calendar
4 year) and (iii) over the aggregate housing
5 credit dollar amount allocated for such year.
6 For purposes of clause (iii), the amount of
7 State housing credit ceiling returned in the calendar
8 year equals the housing credit dollar
9 amount previously allocated within the State to
10 any project which fails to meet the 10 percent
11 test under paragraph (1)(E)(ii) on a date after
12 the close of the calendar year in which the allocation
13 was made or which does not become a
14 qualified middle-income housing project within
15 the period required by this section or the terms
16 of the allocation or to any project with respect
17 to which an allocation is cancelled by mutual
18 consent of the housing credit agency and the allocation
19 recipient.

20 “(D) STATE MAY PROVIDE FOR DIFFERENT
21 ALLOCATION.—Rules similar to the
22 rules of section 146(e) (other than paragraph
23 (2)(B) thereof) shall apply for purposes of this
24 paragraph.

1 “(E) POPULATION.—For purposes of this
2 paragraph, population shall be determined in
3 accordance with section 146(j).

4 “(F) COST-OF-LIVING ADJUSTMENT.—

5 “(i) IN GENERAL.—In the case of a
6 calendar year after 2026, the \$1,500,000
7 and \$1.00 amounts in subparagraph (C)
8 shall each be increased by an amount equal
9 to—

10 “(I) such dollar amount, multi-
11 plied by

12 “(II) the cost-of-living adjust-
13 ment determined under section 1(f)(3)
14 for such calendar year by substituting
15 ‘calendar year 2025’ for ‘calendar
16 year 2016’ in subparagraph (A)(ii)
17 thereof.

18 “(ii) ROUNDING.—

19 “(I) In the case of the
20 \$1,140,000 amount, any increase
21 under clause (i) which is not a mul-
22 tiple of \$5,000 shall be rounded to the
23 next lowest multiple of \$5,000.

24 “(II) In the case of the \$1.00
25 amount, any increase under clause (i)

1 which is not a multiple of 5 cents
2 shall be rounded to the next lowest
3 multiple of 5 cents.

4 “(4) PORTION OF STATE CEILING SET-ASIDE
5 FOR CERTAIN PROJECTS INVOLVING QUALIFIED
6 NONPROFIT ORGANIZATIONS.—

7 “(A) IN GENERAL.—Not more than 90
8 percent of the State housing credit ceiling (de-
9 termined without regard to paragraph (7)) for
10 any State for any calendar year shall be allo-
11 cated to projects other than qualified middle-in-
12 come housing projects described in subpara-
13 graph (B).

14 “(B) PROJECTS INVOLVING QUALIFIED
15 NONPROFIT ORGANIZATIONS.—For purposes of
16 subparagraph (A), a qualified middle-income
17 housing project is described in this subpara-
18 graph if a qualified nonprofit organization is to
19 own an interest in the project (directly or
20 through a partnership) and materially partici-
21 pate (within the meaning of section 469(h)) in
22 the development and operation of the project
23 throughout the credit period.

24 “(C) QUALIFIED NONPROFIT ORGANIZA-
25 TION.—For purposes of this paragraph, the

1 term ‘qualified nonprofit organization’ means
2 any organization if—

3 “(i) such organization is described in
4 paragraph (3) or (4) of section 501(c) and
5 is exempt from tax under section 501(a),

6 “(ii) such organization is determined
7 by the State housing credit agency not to
8 be affiliated with or controlled by a for-
9 profit organization, and

10 “(iii) one of the exempt purposes of
11 such organization includes the fostering of
12 middle-income housing.

13 “(D) TREATMENT OF CERTAIN SUBSIDI-
14 ARIES.—

15 “(i) IN GENERAL.—For purposes of
16 this paragraph, a qualified nonprofit orga-
17 nization shall be treated as satisfying the
18 ownership and material participation test
19 of subparagraph (B) if any qualified cor-
20 poration in which such organization holds
21 stock satisfies such test.

22 “(ii) QUALIFIED CORPORATION.—For
23 purposes of clause (i), the term ‘qualified
24 corporation’ means any corporation if 100
25 percent of the stock of such corporation is

1 held by 1 or more qualified nonprofit orga-
2 nizations at all times during the period
3 such corporation is in existence.

4 “(E) STATE MAY NOT OVERRIDE SET-
5 ASIDE.—Nothing in subparagraph (E) of para-
6 graph (3) shall be construed to permit a State
7 not to comply with subparagraph (A) of this
8 paragraph.

9 “(5) BUILDINGS ELIGIBLE FOR CREDIT ONLY
10 IF MINIMUM LONG-TERM COMMITMENT TO MIDDLE-
11 INCOME HOUSING.—

12 “(A) IN GENERAL.—No credit shall be al-
13 lowed by reason of this section with respect to
14 any building for the taxable year unless an ex-
15 tended middle-income housing commitment is in
16 effect as of the end of such taxable year.

17 “(B) EXTENDED MIDDLE-INCOME HOUS-
18 ING COMMITMENT.—For purposes of this para-
19 graph, the term ‘extended middle-income hous-
20 ing commitment’ means any agreement between
21 the taxpayer and the housing credit agency—

22 “(i) which requires that the applicable
23 fraction (as defined in subsection (c)(1))
24 for the building for each taxable year in
25 the extended use period will not be less

1 than the applicable fraction specified in
2 such agreement and which prohibits the
3 actions described in subclauses (I) and (II)
4 of subparagraph (E)(ii),

5 “(ii) which allows individuals who
6 meet the income limitation applicable to
7 the building under subsection (g) (whether
8 prospective, present, or former occupants
9 of the building) the right to enforce in any
10 State court the requirement and prohibi-
11 tions of clause (i),

12 “(iii) which prohibits the disposition
13 to any person of any portion of the build-
14 ing to which such agreement applies unless
15 all of the building to which such agreement
16 applies is disposed of to such person,

17 “(iv) which prohibits the refusal to
18 lease to a holder of a voucher or certificate
19 of eligibility under section 8 of the United
20 States Housing Act of 1937 because of the
21 status of the prospective tenant as such a
22 holder,

23 “(v) which is binding on all successors
24 of the taxpayer, and

1 “(vi) which, with respect to the prop-
2 erty, is recorded pursuant to State law as
3 a restrictive covenant.

4 “(C) ALLOCATION OF CREDIT MAY NOT
5 EXCEED AMOUNT NECESSARY TO SUPPORT
6 COMMITMENT.—The housing credit dollar
7 amount allocated to any building may not ex-
8 ceed the amount necessary to support the appli-
9 cable fraction specified in the extended middle-
10 income housing commitment for such building,
11 including any increase in such fraction pursu-
12 ant to the application of subsection (f)(3) if
13 such increase is reflected in an amended mid-
14 dle-income housing commitment.

15 “(D) EXTENDED USE PERIOD.—For pur-
16 poses of this paragraph, the term ‘extended use
17 period’ means the period—

18 “(i) beginning on the 1st day in the
19 credit period on which such building is
20 part of a qualified middle-income housing
21 project, and

22 “(ii) ending on the later of—

23 “(I) the date specified by such
24 agency in such agreement, or

1 “(II) the date which is 15 years
2 after the close of the credit period.

3 “(E) EXCEPTIONS IF FORECLOSURE OR IF
4 NO BUYER WILLING TO MAINTAIN MIDDLE-IN-
5 COME STATUS.—

6 “(i) IN GENERAL.—The extended use
7 period for any building shall terminate on
8 the 61st day after the taxpayer (or a suc-
9 cessor in interest) provides notice to the
10 Secretary and the housing credit agency
11 that the building has been acquired by
12 foreclosure (or instrument in lieu of fore-
13 closure) and that the taxpayer intends the
14 termination of such period, unless, before
15 such date, the Secretary or the housing
16 credit agency determines that such acquisi-
17 tion is part of an arrangement with the
18 taxpayer a purpose of which is to termi-
19 nate such period.

20 “(ii) EVICTION, ETC., OF EXISTING
21 MIDDLE-INCOME TENANTS NOT PER-
22 MITTED.—The termination of an extended
23 use period under clause (i) shall not be
24 construed to permit before the close of the
25 3-year period following such termination—

1 “(I) the eviction or the termi-
2 nation of tenancy (other than for good
3 cause) of an existing tenant of any
4 middle-income unit, or

5 “(II) any increase in the gross
6 rent with respect to such unit not oth-
7 erwise permitted under this section.

8 “(F) EFFECT OF NONCOMPLIANCE.—If,
9 during a taxable year, there is a determination
10 that an extended middle-income housing agree-
11 ment was not in effect as of the beginning of
12 such year, such determination shall not apply to
13 any period before such year and subparagraph
14 (A) shall be applied without regard to such de-
15 termination if the failure is corrected within 1
16 year from the date of the determination.

17 “(G) PROJECTS WHICH CONSIST OF MORE
18 THAN 1 BUILDING.—The application of this
19 paragraph to projects which consist of more
20 than 1 building shall be made under regulations
21 prescribed by the Secretary.

22 “(6) SPECIAL RULES.—

23 “(A) BUILDING MUST BE LOCATED WITH-
24 IN JURISDICTION OF CREDIT AGENCY.—A hous-
25 ing credit agency may allocate its aggregate

1 housing credit dollar amount only to buildings
2 located in the jurisdiction of the governmental
3 unit of which such agency is a part.

4 “(B) AGENCY ALLOCATIONS IN EXCESS OF
5 LIMIT.—If the aggregate housing credit dollar
6 amounts allocated by a housing credit agency
7 for any calendar year exceed the portion of the
8 State housing credit ceiling allocated to such
9 agency for such calendar year, the housing
10 credit dollar amounts so allocated shall be re-
11 duced (to the extent of such excess) for build-
12 ings in the reverse of the order in which the al-
13 locations of such amounts were made.

14 “(C) CREDIT REDUCED IF ALLOCATED
15 CREDIT DOLLAR AMOUNT IS LESS THAN CREDIT
16 WHICH WOULD BE ALLOWABLE WITHOUT RE-
17 GARD TO PLACED IN SERVICE CONVENTION,
18 ETC.—

19 “(i) IN GENERAL.—The amount of
20 the credit determined under this section
21 with respect to any building shall not ex-
22 ceed the clause (ii) percentage of the
23 amount of the credit which would (but for
24 this subparagraph) be determined under
25 this section with respect to such building.

1 “(ii) DETERMINATION OF PERCENT-
2 AGE.—For purposes of clause (i), the
3 clause (ii) percentage with respect to any
4 building is the percentage which—

5 “(I) the housing credit dollar
6 amount allocated to such building,
7 bears to

8 “(II) the credit amount deter-
9 mined in accordance with clause (iii).

10 “(iii) DETERMINATION OF CREDIT
11 AMOUNT.—The credit amount determined
12 in accordance with this clause is the
13 amount of the credit which would (but for
14 this subparagraph) be determined under
15 this section with respect to the building
16 if—

17 “(I) this section were applied
18 without regard to paragraphs (2)(A)
19 and (3)(B) of subsection (f), and

20 “(II) subsection (f)(3)(A) were
21 applied without regard to ‘the per-
22 centage equal to $\frac{2}{3}$ of’.

23 “(D) HOUSING CREDIT AGENCY TO SPECI-
24 FY APPLICABLE PERCENTAGE AND MAXIMUM
25 QUALIFIED BASIS.—In allocating a housing

1 credit dollar amount to any building, the hous-
2 ing credit agency shall specify the applicable
3 percentage and the maximum qualified basis
4 which may be taken into account under this
5 section with respect to such building. The appli-
6 cable percentage and maximum qualified basis
7 so specified shall not exceed the applicable per-
8 centage and qualified basis determined under
9 this section without regard to this subsection.

10 “(7) INCREASE IN STATE CEILING DEDICATED
11 TO CERTAIN RURAL DEVELOPMENT PROJECTS.—

12 “(A) IN GENERAL.—The State housing
13 credit ceiling for any calendar year shall be in-
14 creased by an amount equal to 5 percent of the
15 amount determined under paragraph (3)(C)(ii).

16 “(B) USE OF INCREASED AMOUNT.—

17 “(i) IN GENERAL.—The amount of
18 the increase under subparagraph (A) for
19 any calendar year may only be allocated to
20 buildings located in a rural area.

21 “(ii) RURAL AREA.—For purposes of
22 clause (i), the term ‘rural area’ means any
23 non-metropolitan area, or any rural area
24 as defined by section 520 of the Housing
25 Act of 1949, which is identified by the

1 qualified allocation plan under subsection
2 (l)(1)(B).

3 “(8) OTHER DEFINITIONS.—For purposes of
4 this subsection—

5 “(A) HOUSING CREDIT AGENCY.—The
6 term ‘housing credit agency’ means any agency
7 authorized to carry out this subsection.

8 “(B) POSSESSIONS TREATED AS STATES.—
9 The term ‘State’ includes a possession of the
10 United States.

11 “(9) CREDIT FOR BUILDINGS FINANCED BY
12 TAX-EXEMPT BONDS SUBJECT TO VOLUME CAP NOT
13 TAKEN INTO ACCOUNT.—Rules similar to the rules
14 of subsections (h)(4), (m)(1)(D), and (m)(2)(D) of
15 section 42 shall apply for purposes of this sub-
16 section.

17 “(10) ELECTION TO TRANSFER STATE HOUSING
18 CREDIT CEILING FOR ALLOCATIONS TO LOW-INCOME
19 BUILDINGS.—

20 “(A) IN GENERAL.—If a State housing
21 credit agency makes an election under this
22 paragraph with respect to a calendar year—

23 “(i) the State housing credit ceiling
24 for such calendar year under paragraph
25 (3) (determined before application of para-

1 graph (7)) shall be reduced by the amount
2 specified in such election,

3 “(ii) the amount determined under
4 paragraph (7) for such calendar year shall
5 be reduced by the amount specified in such
6 election, and

7 “(iii) the amount determined under
8 section 42(h)(3)(C)(ii) for such calendar
9 year shall be increased by the sum of the
10 amounts specified in clauses (i) and (ii),
11 except that any amount specified under
12 clause (ii)—

13 “(I) may only be allocated under
14 such section to qualified low-income
15 buildings (as defined in section 42) lo-
16 cated in a rural area (as defined in
17 paragraph (7)), and

18 “(II) shall not be taken into ac-
19 count for purposes of determining the
20 unused housing credit ceiling under
21 the second sentence of section
22 42(h)(3)(C).

23 “(B) TIME AND MANNER FOR MAKING
24 ELECTION.—

1 “(i) IN GENERAL.—An election under
2 this paragraph—

3 “(I) shall be made before the end
4 of the calendar year with respect to
5 which such election applies,

6 “(II) shall be made in such man-
7 ner as specified by the Secretary, and

8 “(III) shall separately specify the
9 amount of reductions to be made
10 under paragraph (3) and paragraph
11 (7).

12 “(ii) FREQUENCY.—A State housing
13 credit agency may make more than one
14 election under this section with respect to
15 any calendar year, and any such election,
16 once made, shall be revocable only if such
17 revocation is made before the end of the
18 calendar year with respect to which such
19 election is made.

20 “(C) LIMITATION.—The aggregate amount
21 specified in elections under this paragraph with
22 respect to any State housing credit agency for
23 calendar year shall not exceed the sum of—

1 “(i) the amount determined under
2 paragraph (3)(C)(ii) for such calendar
3 year, plus

4 “(ii) the amount determined under
5 paragraph (7) for such calendar year.

6 “(i) DEFINITIONS AND SPECIAL RULES.—For pur-
7 poses of this section—

8 “(1) MIDDLE-INCOME UNIT.—

9 “(A) IN GENERAL.—The term ‘middle-in-
10 come unit’ means any unit in a building if—

11 “(i) such unit is rent-restricted (as de-
12 fined in subsection (g)(2)), and

13 “(ii) the individuals occupying such
14 unit meet the income limitation applicable
15 under subsection (g)(1) to the project of
16 which such building is a part.

17 “(B) EXCEPTIONS.—

18 “(i) EXCLUSION OF LOW-INCOME
19 UNITS.—A unit shall not be treated as a
20 middle-income unit if such unit is a low-in-
21 come unit (as defined under section
22 42(i)(3)).

23 “(ii) UNIT MUST BE SUITABLE FOR
24 PERMANENT OCCUPANCY.—

1 “(I) IN GENERAL.—A unit shall
2 not be treated as a middle-income
3 unit unless the unit is suitable for oc-
4 cupancy and used other than on a
5 transient basis.

6 “(II) SUITABILITY FOR OCCU-
7 PANCY.—For purposes of subclause
8 (I), the suitability of a unit for occu-
9 pancy shall be determined under regu-
10 lations prescribed by the Secretary
11 taking into account local health, safe-
12 ty, and building codes.

13 “(III) SINGLE-ROOM OCCUPANCY
14 UNITS.—For purposes of subclause
15 (I), a single-room occupancy unit shall
16 not be treated as used on a transient
17 basis merely because it is rented on a
18 month-by-month basis.

19 “(C) SPECIAL RULE FOR BUILDINGS HAV-
20 ING 4 OR FEWER UNITS.—In the case of any
21 building which has 4 or fewer residential rental
22 units, no unit in such building shall be treated
23 as a middle-income unit if the units in such
24 building are owned by—

1 “(i) any individual who occupies a res-
2 idential unit in such building, or

3 “(ii) any person who is related (as de-
4 fined in subsection (d)(2)(D)(ii)) to such
5 individual.

6 “(D) RULES RELATING TO STUDENTS.—

7 “(i) IN GENERAL.—A unit occupied
8 solely by individuals who—

9 “(I) have not attained age 24,

10 and

11 “(II) are enrolled in a full-time
12 course of study at an institution of
13 higher education (as defined in section
14 3304(f)),

15 shall not be treated as a middle-income
16 unit.

17 “(ii) EXCEPTION FOR CERTAIN FED-
18 ERAL PROGRAMS.—In the case of a Feder-
19 ally-assisted building (as defined in sub-
20 section (d)(6)(C)(i) of section 42), clause
21 (i) shall not apply to a unit all of the occu-
22 pants of which meet all applicable require-
23 ments under the housing program de-
24 scribed in such subsection through which

1 the building is assisted, financed, or oper-
2 ated.

3 “(iii) OTHER EXCEPTIONS.—Clause
4 (i) shall not apply to a unit occupied by an
5 individual who—

6 “(I) is married, if such individ-
7 ual’s spouse also occupies the unit,

8 “(II) is a person with disabilities
9 (as defined in section 3(b)(3)(E) of
10 the United States Housing Act of
11 1937),

12 “(III) is a veteran (as defined in
13 section 101(2) of title 38, United
14 States Code),

15 “(IV) has one or more qualifying
16 children (as defined in section
17 152(c)), if such children also occupy
18 the unit, the individual is not a de-
19 pendent (as defined in section 152,
20 determined without regard to sub-
21 sections (b)(1), (b)(2), and (d)(1)(B)
22 thereof) of another individual, and
23 such children are not claimed as de-
24 pendants (as so defined) of another
25 individual, or

1 “(V) is, or was immediately prior
2 to attaining the age of majority—

3 “(aa) an emancipated minor
4 or in legal guardianship as deter-
5 mined by a court of competent
6 jurisdiction in the individual’s
7 State of legal residence,

8 “(bb) under the care and
9 placement responsibility of the
10 State agency responsible for ad-
11 ministering a plan under part B
12 or part E of title IV of the Social
13 Security Act, or

14 “(cc) was an unaccompanied
15 youth (within the meaning of sec-
16 tion 725(6) of the McKinney-
17 Vento Homeless Assistance Act
18 (42 U.S.C. 11434a(6))) or a
19 homeless child or youth (within
20 the meaning of section 725(2) of
21 such Act (42 U.S.C.
22 11434a(2))).

23 “(E) OWNER-OCCUPIED BUILDINGS HAV-
24 ING 4 OR FEWER UNITS ELIGIBLE FOR CREDIT
25 WHERE DEVELOPMENT PLAN.—

1 “(i) IN GENERAL.—Subparagraph (C)
2 shall not apply to the acquisition or reha-
3 bilitation of a building pursuant to a devel-
4 opment plan of action sponsored by a
5 State or local government or a qualified
6 nonprofit organization.

7 “(ii) LIMITATION ON CREDIT.—In the
8 case of a building to which clause (i) ap-
9 plies, the applicable fraction shall not ex-
10 ceed 80 percent of the unit fraction.

11 “(iii) CERTAIN UNRENTED UNITS
12 TREATED AS OWNER-OCCUPIED.—In the
13 case of a building to which clause (i) ap-
14 plies, any unit which is not rented for 90
15 days or more shall be treated as occupied
16 by the owner of the building as of the 1st
17 day it is not rented.

18 “(2) NEW BUILDING.—The term ‘new building’
19 means a building the original use of which begins
20 with the taxpayer.

21 “(3) EXISTING BUILDING.—The term ‘existing
22 building’ means any building which is not a new
23 building.

24 “(4) APPLICATION TO ESTATES AND TRUSTS.—
25 In the case of an estate or trust, the amount of the

1 credit determined under subsection (a) shall be ap-
2 portioned between the estate or trust and the bene-
3 ficiaries on the basis of the income of the estate or
4 trust allocable to each.

5 “(5) IMPACT OF TENANT’S OPTION TO ACQUIRE
6 PROPERTY.—

7 “(A) IN GENERAL.—No Federal income
8 tax benefit shall fail to be allowable to the tax-
9 payer with respect to any qualified middle-in-
10 come building merely by reason of an option
11 held by the tenants (in cooperative form or oth-
12 erwise) or resident management corporation of
13 such building or by a qualified nonprofit organi-
14 zation or government agency to purchase the
15 property or all of the partnership interests
16 (other than interests of the person exercising
17 such option or a related party thereto (within
18 the meaning of section 267(b) or 707(b)(1)))
19 relating to the property after the close of the
20 credit period for a price which is not less than
21 the minimum purchase price determined under
22 subparagraph (B).

23 “(B) MINIMUM PURCHASE PRICE.—For
24 purposes of subparagraph (A), the minimum
25 purchase price under this subparagraph is an

1 amount equal to the principal amount of out-
2 standing indebtedness secured by the building
3 (other than indebtedness incurred within the 5-
4 year period ending on the date of the sale to
5 the tenants). In the case of a purchase of a
6 partnership interest, the minimum purchase
7 price is an amount equal to such interest's rat-
8 able share of the amount determined under the
9 preceding sentence.

10 “(6) TREATMENT OF RURAL PROJECTS.—For
11 purposes of this section, in the case of any project
12 for residential rental property located in a rural area
13 (as defined in section 520 of the Housing Act of
14 1949), any income limitation measured by reference
15 to area median gross income shall be measured by
16 reference to the greater of area median gross income
17 or national non-metropolitan median income.

18 “(7) DETERMINATION OF WHETHER BUILDING
19 IS FEDERALLY SUBSIDIZED.—

20 “(A) IN GENERAL.—Except as otherwise
21 provided in this paragraph, for purposes of this
22 section, a project shall be treated as Federally
23 subsidized for any taxable year if, at any time
24 during such taxable year or any prior taxable
25 year, there is or was outstanding any obligation

1 the interest on which is exempt from tax under
2 section 103 the proceeds of which are or were
3 used (directly or indirectly) with respect to such
4 project or the operation thereof.

5 “(B) SPECIAL RULE FOR SUBSIDIZED CON-
6 STRUCTION FINANCING.—Subparagraph (A)
7 shall not apply to any tax-exempt obligation
8 used to provide construction financing for any
9 building if—

10 “(i) such obligation (when issued)
11 identified the building for which the pro-
12 ceeds of such obligation would be used,
13 and

14 “(ii) such obligation is redeemed be-
15 fore such building is placed in service.

16 “(8) REDUCTION IN BASIS.—In the case of any
17 building for which a credit is allowable under this
18 section and section 42, the basis of the building shall
19 be reduced by the amount of such credit allowed
20 under subsection (a).

21 “(j) APPLICATION OF AT-RISK RULES.—For pur-
22 poses of this section—

23 “(1) IN GENERAL.—Except as otherwise pro-
24 vided in this subsection, rules similar to the rules of
25 section 49(a)(1) (other than subparagraphs

1 (D)(ii)(II) and (D)(iv)(I) thereof), section 49(a)(2),
2 and section 49(b)(1) shall apply in determining the
3 qualified basis of any building in the same manner
4 as such sections apply in determining the credit base
5 of property.

6 “(2) SPECIAL RULES FOR DETERMINING QUALI-
7 FIED PERSON.—For purposes of paragraph (1)—

8 “(A) IN GENERAL.—If the requirements of
9 subparagraphs (B), (C), and (D) are met with
10 respect to any financing borrowed from a quali-
11 fied nonprofit organization, the determination
12 of whether such financing is qualified commer-
13 cial financing with respect to any qualified mid-
14 dle-income building shall be made without re-
15 gard to whether such organization—

16 “(i) is actively and regularly engaged
17 in the business of lending money, or

18 “(ii) is a person described in section
19 49(a)(1)(D)(iv)(II).

20 “(B) FINANCING SECURED BY PROP-
21 ERTY.—The requirements of this subparagraph
22 are met with respect to any financing if such fi-
23 nancing is secured by the qualified middle-in-
24 come building, except that this subparagraph
25 shall not apply in the case of a federally as-

1 sisted building described in section 42(d)(6)(C)
2 if—

3 “(i) a security interest in such build-
4 ing is not permitted by a Federal agency
5 holding or insuring the mortgage secured
6 by such building, and

7 “(ii) the proceeds from the financing
8 (if any) are applied to acquire or improve
9 such building.

10 “(C) PORTION OF BUILDING ATTRIB-
11 UTABLE TO FINANCING.—The requirements of
12 this subparagraph are met with respect to any
13 financing for any taxable year in the credit pe-
14 riod if, as of the close of such taxable year, not
15 more than 60 percent of the eligible basis of the
16 qualified middle-income building is attributable
17 to such financing (reduced by the principal and
18 interest of any governmental financing which is
19 part of a wrap-around mortgage involving such
20 financing).

21 “(D) REPAYMENT OF PRINCIPAL AND IN-
22 TEREST.—The requirements of this subpara-
23 graph are met with respect to any financing if
24 such financing is fully repaid on or before the
25 earliest of—

1 “(i) the date on which such financing
2 matures,

3 “(ii) the 90th day after the close of
4 the credit period with respect to the quali-
5 fied middle-income building, or

6 “(iii) the date of its refinancing or the
7 sale of the building to which such financ-
8 ing relates.

9 In the case of a qualified nonprofit organization
10 which is not described in section
11 49(a)(1)(D)(iv)(II) with respect to a building,
12 clause (ii) of this subparagraph shall be applied
13 as if the date described therein were the 90th
14 day after the earlier of the date the building
15 ceases to be a qualified middle-income building
16 or the date which is 15 years after the close of
17 a credit period with respect thereto.

18 “(3) PRESENT VALUE OF FINANCING.—If the
19 rate of interest on any financing described in para-
20 graph (2)(A) is less than the rate which is 1 per-
21 centage point below the applicable Federal rate as of
22 the time such financing is incurred, then the quali-
23 fied basis (to which such financing relates) of the
24 qualified middle-income building shall be the present
25 value of the amount of such financing, using as the

1 discount rate such applicable Federal rate. For pur-
2 poses of the preceding sentence, the rate of interest
3 on any financing shall be determined by treating in-
4 terest to the extent of government subsidies as not
5 payable.

6 “(4) FAILURE TO FULLY REPAY.—

7 “(A) IN GENERAL.—To the extent that the
8 requirements of paragraph (2)(D) are not met,
9 then the taxpayer’s tax under this chapter for
10 the taxable year in which such failure occurs
11 shall be increased by an amount equal to the
12 applicable portion of the credit under this sec-
13 tion with respect to such building, increased by
14 an amount of interest for the period—

15 “(i) beginning with the due date for
16 the filing of the return of tax imposed by
17 chapter 1 for the 1st taxable year for
18 which such credit was allowable, and

19 “(ii) ending with the due date for the
20 taxable year in which such failure occurs,
21 determined by using the underpayment rate and
22 method under section 6621.

23 “(B) APPLICABLE PORTION.—For pur-
24 poses of subparagraph (A), the term ‘applicable
25 portion’ means the aggregate decrease in the

1 credits allowed to a taxpayer under section 38
2 for all prior taxable years which would have re-
3 sulted if the eligible basis of the building were
4 reduced by the amount of financing which does
5 not meet requirements of paragraph (2)(D).

6 “(C) CERTAIN RULES TO APPLY.—Rules
7 similar to the rules of subparagraphs (A) and
8 (D) of section 42(j)(4) shall apply for purposes
9 of this subsection.

10 “(k) CERTIFICATIONS AND OTHER REPORTS TO SEC-
11 RETARY.—

12 “(1) CERTIFICATION WITH RESPECT TO 1ST
13 YEAR OF CREDIT PERIOD.—Following the close of
14 the 1st taxable year in the credit period with respect
15 to any qualified middle-income building, the tax-
16 payer shall certify to the Secretary (at such time
17 and in such form and in such manner as the Sec-
18 retary prescribes)—

19 “(A) the taxable year, and calendar year,
20 in which such building was placed in service,

21 “(B) the adjusted basis and eligible basis
22 of such building as of the close of the 1st year
23 of the credit period,

24 “(C) the maximum applicable percentage
25 and qualified basis permitted to be taken into

1 account by the appropriate housing credit agen-
2 cy under subsection (h), and

3 “(D) such other information as the Sec-
4 retary may require.

5 In the case of a failure to make the certification re-
6 quired by the preceding sentence on the date pre-
7 scribed therefor, unless it is shown that such failure
8 is due to reasonable cause and not to willful neglect,
9 no credit shall be allowable by reason of subsection
10 (a) with respect to such building for any taxable
11 year ending before such certification is made.

12 “(2) ANNUAL REPORTS TO THE SECRETARY.—
13 The Secretary may require taxpayers to submit an
14 information return (at such time and in such form
15 and manner as the Secretary prescribes) for each
16 taxable year setting forth—

17 “(A) the qualified basis for the taxable
18 year of each qualified middle-income building of
19 the taxpayer,

20 “(B) the information described in para-
21 graph (1)(C) for the taxable year, and

22 “(C) such other information as the Sec-
23 retary may require.

24 The penalty under section 6652(j) shall apply to any
25 failure to submit the return required by the Sec-

1 retary under the preceding sentence on the date pre-
2 scribed therefor.

3 “(3) ANNUAL REPORTS FROM HOUSING CREDIT
4 AGENCIES.—Each agency which allocates any hous-
5 ing credit amount to any building for any calendar
6 year shall submit to the Secretary (at such time and
7 in such manner as the Secretary shall prescribe) an
8 annual report specifying—

9 “(A) the amount of housing credit amount
10 allocated to each building for such year,

11 “(B) sufficient information to identify each
12 such building and the taxpayer with respect
13 thereto, and

14 “(C) such other information as the Sec-
15 retary may require.

16 The penalty under section 6652(j) shall apply to any
17 failure to submit the report required by the pre-
18 ceding sentence on the date prescribed therefor.

19 “(1) RESPONSIBILITIES OF HOUSING CREDIT AGEN-
20 CIES.—

21 “(1) PLANS FOR ALLOCATION OF CREDIT
22 AMONG PROJECTS.—

23 “(A) IN GENERAL.—Notwithstanding any
24 other provision of this section, the housing cred-

1 it dollar amount with respect to any building
2 shall be zero unless—

3 “(i) such amount was allocated pursu-
4 ant to a qualified allocation plan of the
5 housing credit agency which is approved by
6 the governmental unit (in accordance with
7 rules similar to the rules of section
8 42(m)(1)) of which such agency is a part,

9 “(ii) a comprehensive market study of
10 the housing needs of middle-income indi-
11 viduals in the area to be served by the
12 project is conducted before the credit allo-
13 cation is made and at the developer’s ex-
14 pense by a disinterested party who is ap-
15 proved by such agency, and

16 “(iii) a written explanation is available
17 to the general public for any allocation of
18 a housing credit dollar amount which is
19 not made in accordance with established
20 priorities and selection criteria of the hous-
21 ing credit agency.

22 “(B) QUALIFIED ALLOCATION PLAN.—For
23 purposes of this paragraph, the term ‘qualified
24 allocation plan’ means any plan—

1 “(i) which sets forth selection criteria
2 to be used to determine housing priorities
3 of the housing credit agency which are ap-
4 propriate to local conditions,

5 “(ii) which also gives preference in al-
6 locating housing credit dollar amounts
7 among selected projects to—

8 “(I) projects obligated to serve
9 qualified tenants for the longest peri-
10 ods,

11 “(II) projects in areas with insuf-
12 ficient supply of housing affordable to
13 median income households,

14 “(III) projects which target hous-
15 ing to tenants at a range of incomes
16 between 60 and 100 percent of area
17 median gross income, and

18 “(IV) projects located near tran-
19 sit hubs, and

20 “(iii) which provides a procedure that
21 the agency (or an agent or other private
22 contractor of such agency) will follow in
23 monitoring for noncompliance with the
24 provisions of this section and in notifying
25 the Internal Revenue Service of such non-

1 compliance which such agency becomes
2 aware of and in monitoring for noncompli-
3 ance with habitability standards through
4 regular site visits.

5 “(C) CERTAIN SELECTION CRITERIA MUST
6 BE USED.—The selection criteria set forth in a
7 qualified allocation plan must include—

8 “(i) project location,

9 “(ii) housing needs characteristics,

10 “(iii) project characteristics, including
11 whether the project includes the use of ex-
12 isting housing as part of a community revi-
13 talization plan,

14 “(iv) sponsor characteristics,

15 “(v) tenant populations with special
16 housing needs,

17 “(vi) tenant populations of individuals
18 with children,

19 “(vii) projects intended for eventual
20 tenant ownership,

21 “(viii) the energy efficiency of the
22 project, and

23 “(ix) the historic nature of the
24 project.

1 “(D) CERTAIN SELECTION CRITERIA PRO-
2 HIBITED.—The selection criteria set forth in a
3 qualified allocation plan shall not include a re-
4 quirement of local approval or local contribu-
5 tions, either as a threshold qualification re-
6 quirement or as part of a point system to be
7 considered for allocations of housing credit dol-
8 lar amount.

9 “(2) CREDIT ALLOCATED TO BUILDING NOT TO
10 EXCEED AMOUNT NECESSARY TO ASSURE PROJECT
11 FEASIBILITY.—

12 “(A) IN GENERAL.—The housing credit
13 dollar amount allocated to a project shall not
14 exceed the amount the housing credit agency
15 determines is necessary for the financial feasi-
16 bility of the project and its viability as a quali-
17 fied middle-income housing project throughout
18 the credit period.

19 “(B) AGENCY EVALUATION.—In making
20 the determination under subparagraph (A), the
21 housing credit agency shall consider—

22 “(i) the sources and uses of funds and
23 the total financing planned for the project,

24 “(ii) any proceeds or receipts expected
25 to be generated by reason of tax benefits,

1 “(iii) the percentage of the housing
2 credit dollar amount used for project costs
3 other than the cost of intermediaries, and

4 “(iv) the reasonableness of the devel-
5 opmental and operational costs of the
6 project.

7 Clause (iii) shall not be applied so as to impede
8 the development of projects in hard-to-develop
9 areas. Such a determination shall not be con-
10 strued to be a representation or warranty as to
11 the feasibility or viability of the project.

12 “(C) DETERMINATION MADE WHEN CRED-
13 IT AMOUNT APPLIED FOR AND WHEN BUILDING
14 PLACED IN SERVICE.—

15 “(i) IN GENERAL.—A determination
16 under subparagraph (A) shall be made as
17 of each of the following times:

18 “(I) The application for the
19 housing credit dollar amount.

20 “(II) The allocation of the hous-
21 ing credit dollar amount.

22 “(III) The date the building is
23 placed in service.

24 “(ii) CERTIFICATION AS TO AMOUNT
25 OF OTHER SUBSIDIES.—Prior to each de-

1 termination under clause (i), the taxpayer
2 shall certify to the housing credit agency
3 the full extent of all Federal, State, and
4 local subsidies which apply (or which the
5 taxpayer expects to apply) with respect to
6 the building.

7 “(m) REGULATIONS.—The Secretary shall prescribe
8 such regulations as may be necessary or appropriate to
9 carry out the purposes of this section, including—

10 “(1) regulations dealing with—

11 “(A) projects which include more than 1
12 building or only a portion of a building, or

13 “(B) buildings which are placed in service
14 in portions,

15 “(2) regulations providing for the application of
16 this section to short taxable years,

17 “(3) regulations preventing the avoidance of the
18 rules of this section,

19 “(4) regulations providing the opportunity for
20 housing credit agencies to correct administrative er-
21 rors and omissions with respect to allocations and
22 record keeping within a reasonable period after their
23 discovery, taking into account the availability of reg-
24 ulations and other administrative guidance from the
25 Secretary, and

1 “(5) in consultation with the Secretary of
2 Housing and Urban Development, regulations or
3 guidance to promote uniform definitions and to
4 streamline requirements for with respect to qualified
5 middle-income buildings which receive funding from
6 programs administrated by the Department of Hous-
7 ing and Urban Development, including programs au-
8 thorized by Native American Housing Assistance
9 and Self-Determination Act of 1996.”.

10 (b) TREATMENT AS PART OF GENERAL BUSINESS
11 CREDIT.—Section 38(b), as amended by the preceding
12 provisions of this Act, is amended by striking “plus” at
13 the end of paragraph (41), by striking the period at the
14 end of paragraph (42) and inserting “, plus”, and by add-
15 ing at the end the following new paragraph:

16 “(43) the middle-income housing credit deter-
17 mined under section 42A(a).”.

18 (c) REDUCTION IN BASIS.—Section 1016(a) is
19 amended by striking “and” at the end of paragraph (37),
20 by striking the period at the end of paragraph (38) and
21 inserting “, and”, and by adding at the end the following
22 new paragraph:

23 “(39) to the extent provided in section
24 42A(i)(8).”.

1 (d) TREATMENT UNDER BASE EROSION MINIMUM
2 TAX.—Section 59A(b)(4) is amended by redesignating
3 subparagraphs (B) and (C) as subparagraphs (C) and
4 (D), respectively, and by inserting after subparagraphs
5 (A) the following new subparagraph:

6 “(B) the middle-income housing credit de-
7 termined under section 42A(a),”.

8 (e) CONFORMING AMENDMENTS RELATING TO LOW-
9 INCOME HOUSING TAX CREDIT.—Section 42(n) is amend-
10 ed—

11 (1) by striking “regulations” in the matter pre-
12 ceding paragraph (1),

13 (2) by inserting “regulations” before “dealing
14 with” in paragraph (1),

15 (3) by inserting “regulations” before “pro-
16 viding” in paragraphs (2) and (4),

17 (4) by inserting “regulations” before “pre-
18 venting” in paragraph (3),

19 (5) by striking “and” at the end of paragraph
20 (3),

21 (6) by striking the period at the end of para-
22 graph (4) and inserting “, and”, and

23 (7) by adding at the end the following new
24 paragraph:

1 “(5) in consultation with the Secretary of
2 Housing and Urban Development, regulations or
3 guidance to promote uniform definitions and to
4 streamline requirements for with respect to qualified
5 low-income buildings which receive funding from
6 programs administrated by the Department of Hous-
7 ing and Urban Development, including programs au-
8 thorized by Native American Housing Assistance
9 and Self-Determination Act of 1996.”.

10 (f) CONFORMING AMENDMENTS.—

11 (1) Section 45L(e) is amended by inserting “or
12 42A” after “42”.

13 (2) Section 50(c)(3)(C) is amended by inserting
14 “or 42A” after “42”.

15 (3) Section 55(c)(1) is amended by inserting
16 “42A(j),” before “45(e)(11)(C)”.

17 (4) Subsections (i)(3)(C), (i)(6)(B)(i), and
18 (k)(1) of section 469 are each amended by inserting
19 “or 42A” after “42”.

20 (5) The table of sections for subpart D of part
21 IV of subchapter A of chapter 1 is amended by in-
22 serting after the item relating to section 42 the fol-
23 lowing new item:

 “Sec. 42A. Middle-income housing credit.”.

24 (g) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to buildings placed in service after

1 December 31, 2025, in taxable years ending after such
2 date.

3 **Subtitle C—Affording the American**
4 **Dream**

5 **SEC. 13001. FIRST-TIME HOMEBUYER REFUNDABLE TAX**
6 **CREDIT.**

7 (a) IN GENERAL.—Section 36 is amended to read as
8 follows:

9 **“SEC. 36. FIRST-TIME HOMEBUYER CREDIT.**

10 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
11 dividual who is a first-time homebuyer of a principal resi-
12 dence in the United States during a taxable year, there
13 shall be allowed as a credit against the tax imposed by
14 this subtitle for such taxable year an amount equal to 10
15 percent of the purchase price of the residence.

16 “(b) LIMITATIONS.—

17 “(1) DOLLAR LIMITATION.—

18 “(A) IN GENERAL.—Except as otherwise
19 provided in this paragraph, the credit allowed
20 under subsection (a) shall not exceed \$15,000.

21 “(B) MARRIED INDIVIDUALS FILING SEPA-
22 RATELY.—In the case of a married individual
23 filing a separate return, subparagraph (A) shall
24 be applied by substituting ‘\$7,500’ for
25 ‘\$15,000’.

1 “(C) OTHER INDIVIDUALS.—If 2 or more
2 individuals who are not married purchase a
3 principal residence, the amount of the credit al-
4 lowed under subsection (a) shall be allocated
5 among such individuals in such manner as the
6 Secretary may prescribe, except that the total
7 amount of the credits allowed to all such indi-
8 viduals shall not exceed \$15,000.

9 “(2) PHASEOUT BASED ON AREA MEDIAN IN-
10 COME.—

11 “(A) IN GENERAL.—The amount allowable
12 as a credit under subsection (a) (determined
13 without regard to this paragraph) shall be re-
14 duced (but not below zero) by the amount
15 which bears the same ratio to the amount which
16 is so allowable as—

17 “(i) the excess (if any) of—

18 “(I) the modified adjusted gross
19 income of the taxpayer for the taxable
20 year, over

21 “(II) 150 percent of the applica-
22 ble Area Medium Income, bears to

23 “(ii) 20 percent of the applicable Area
24 Median Income.

1 “(B) MODIFIED ADJUSTED GROSS IN-
2 COME.—For purposes of subparagraph (A), the
3 term ‘modified adjusted gross income’ means
4 the adjusted gross income of the taxpayer for
5 the taxable year increased by any amount ex-
6 cluded from gross income under section 911,
7 931, or 933.

8 “(C) APPLICABLE AREA MEDIAN IN-
9 COME.—For purposes of subparagraph (A), the
10 term ‘applicable Area Median Income’ means
11 the Area Median Income set by the Secretary of
12 Housing and Urban Development with respect
13 to—

14 “(i) the area in which the principal
15 residence is located,

16 “(ii) the size of the household of the
17 taxpayer, and

18 “(iii) the calendar year in which the
19 principal residence is purchased.

20 “(D) REGULATIONS AND GUIDANCE.—The
21 Secretary, after consultation with the Secretary
22 of Housing and Urban Development, shall issue
23 such regulations and guidance as are necessary
24 to carry out the purposes of this subparagraph.

1 “(3) LIMITATION BASED ON AREA MEDIAN PUR-
2 CHASE PRICE.—

3 “(A) IN GENERAL.—The amount allowable
4 as a credit under subsection (a) (determined
5 without regard to this paragraph) shall be re-
6 duced (but not below zero) by the amount
7 which bears the same ratio to the amount which
8 is so allowable as—

9 “(i) the excess (if any) of—

10 “(I) the purchase price of the
11 principal residence, over

12 “(II) the amount which is equal
13 to 110 percent of the area median
14 purchase price, bears to

15 “(ii) the amount which is equal to 15
16 percent of the area median purchase price.

17 “(B) AREA MEDIAN PURCHASE PRICE.—

18 For purposes of this paragraph, the term ‘area
19 median purchase price’ means the median pur-
20 chase price for a home in both the area and the
21 calendar year in which the purchase of the prin-
22 cipal residence takes place.

23 “(C) REGULATIONS AND GUIDANCE.—The
24 Secretary, after consultation with the Secretary
25 of Housing and Urban Development, shall pro-

1 mulgate such regulations and guidance as are
2 necessary to carry out the purposes of this sub-
3 paragraph, including for determining the area
4 median purchase price with respect to different
5 localities.

6 “(4) INFLATION ADJUSTMENT.—In the case of
7 any taxable year beginning in a calendar year after
8 2026, each of the dollar amounts in paragraph (1)
9 shall be increased by an amount equal to—

10 “(A) such dollar amount, multiplied by

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

17 Any increase determined under the preceding sen-
18 tence shall be rounded to the nearest multiple of
19 \$100.

20 “(5) AGE LIMITATION.—No credit shall be al-
21 lowed under subsection (a) with respect to the pur-
22 chase of any residence unless the taxpayer has at-
23 tained age 18 as of the date of such purchase. In
24 the case of any taxpayer who is married (within the
25 meaning of section 7703), the taxpayer shall be

1 treated as meeting the age requirement of the pre-
2 ceding sentence if the taxpayer or the taxpayer's
3 spouse meets such age requirement.

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

5 “(1) FIRST-TIME HOMEBUYER.—The term
6 ‘first-time homebuyer’ means any individual if such
7 individual (and if married, such individual's
8 spouse)—

9 “(A) has no present ownership interest in
10 any residence during the 3-year period ending
11 on the date of the purchase of the principal res-
12 idence to which this section applies, and

13 “(B) has not taken the credit under this
14 section in any other taxable year.

15 “(2) PRINCIPAL RESIDENCE.—The term ‘prin-
16 cipal residence’ has the same meaning as when used
17 in section 121.

18 “(3) PURCHASE.—

19 “(A) IN GENERAL.—The term ‘purchase’
20 means any acquisition, but only if—

21 “(i) the property is not acquired from
22 a person related to the person acquiring
23 such property (or, if married, such individ-
24 ual's spouse),

1 “(ii) the acquisition is financed
2 through a federally backed mortgage loan
3 (as defined in section 4022 of the CARES
4 Act), and

5 “(iii) the basis of the property in the
6 hands of the person acquiring such prop-
7 erty is not determined—

8 “(I) in whole or in part by ref-
9 erence to the adjusted basis of such
10 property in the hands of the person
11 from whom acquired, or

12 “(II) under section 1014(a) (re-
13 lating to property acquired from a de-
14 cedent).

15 “(B) CONSTRUCTION.—A residence which
16 is constructed by the taxpayer shall be treated
17 as purchased by the taxpayer on the date the
18 taxpayer first occupies such residence.

19 “(4) PURCHASE PRICE.—The term ‘purchase
20 price’ means the adjusted basis of the principal resi-
21 dence on the date such residence is purchased.

22 “(5) RELATED PERSONS.—A person shall be
23 treated as related to another person if the relation-
24 ship between such persons would result in the dis-
25 allowance of losses under section 267 or 707(b).

1 “(d) EXCEPTIONS.—No credit under subsection (a)
2 shall be allowed to any taxpayer for any taxable year with
3 respect to the purchase of a residence if—

4 “(1) the taxpayer disposes of such residence (or
5 such residence ceases to be the principal residence of
6 the taxpayer (and, if married, the taxpayer’s
7 spouse)) before the close of such taxable year,

8 “(2) a deduction under section 151 with respect
9 to such taxpayer is allowable to another taxpayer for
10 such taxable year, or

11 “(3) the taxpayer fails to attach to the return
12 of tax for such taxable year a properly executed copy
13 of the settlement statement used to complete such
14 purchase.

15 “(e) REPORTING.—If the Secretary requires informa-
16 tion reporting under section 6045 by a person described
17 in subsection (e)(2) thereof to verify the eligibility of tax-
18 payers for the credit allowable by this section, the excep-
19 tion provided by section 6045(e)(5) shall not apply.

20 “(f) RECAPTURE OF CREDIT.—

21 “(1) IN GENERAL.—Except as otherwise pro-
22 vided in this subsection, if, during any taxable year
23 before the close of the recapture period, a taxpayer
24 disposes of the principal residence with respect to
25 which a credit was allowed under subsection (a) (or

1 such residence ceases to be the principal residence of
2 the taxpayer), the tax imposed by this chapter for
3 such taxable year shall be increased by the recover-
4 able amount determined in paragraph (2).

5 “(2) RECOVERABLE AMOUNT.—For purposes of
6 paragraph (1), the recoverable amount is the prod-
7 uct of—

8 “(A) 25 percent of the amount of the cred-
9 it allowed under subsection (a), multiplied by

10 “(B) the number of taxable years remain-
11 ing in the recapture period as of the beginning
12 of the taxable year in which the taxpayer dis-
13 poses of the principal residence.

14 “(3) LIMITATION BASED ON GAIN.—In the case
15 of the sale of the principal residence to a person who
16 is not related to the taxpayer, the increase in tax de-
17 termined under paragraph (1) shall not exceed the
18 amount of gain (if any) on such sale. Solely for pur-
19 poses of the preceding sentence, the adjusted basis
20 of such residence shall be reduced by the amount of
21 the credit allowed under subsection (a).

22 “(4) EXCEPTIONS.—

23 “(A) DEATH OF A TAXPAYER.—Paragraph
24 (1) shall not apply to any taxable year ending
25 after the date of the taxpayer’s death.

1 “(B) INVOLUNTARY CONVERSION.—Para-
2 graph (1) shall not apply in the case of a resi-
3 dence which is compulsorily or involuntarily
4 converted (within the meaning of section
5 1033(a)) if the taxpayer acquires a new prin-
6 cipal residence during the 2-year period begin-
7 ning on the date of the disposition or cessation
8 referred to in paragraph (1). Paragraph (1)
9 shall apply to such new principal residence dur-
10 ing the recapture period in the same manner as
11 if such new principal residence were the con-
12 verted residence.

13 “(C) TRANSFERS BETWEEN SPOUSES OR
14 INCIDENT TO DIVORCE.—In the case of a trans-
15 fer of a residence to which section 1041(a) ap-
16 plies—

17 “(i) paragraph (1) shall not apply to
18 such transfer, and

19 “(ii) in the case of taxable years end-
20 ing after such transfer, paragraph (1) shall
21 apply to the transferee in the same manner
22 as if such transferee were the transferor
23 (and shall not apply to the transferor).

24 “(D) SPECIAL RULE FOR MEMBERS OF
25 THE ARMED FORCES, ETC.—

1 “(i) IN GENERAL.—In the case of the
2 disposition of a principal residence by an
3 individual (or a cessation referred to in
4 paragraph (1)) after the date of the enact-
5 ment of this section, in connection with
6 Government orders received by such indi-
7 vidual, or such individual’s spouse, for
8 qualified official extended duty service,
9 paragraph (1) and subsection (d)(2) shall
10 not apply to such disposition (or ces-
11 sation).

12 “(ii) QUALIFIED OFFICIAL EXTENDED
13 DUTY SERVICE.—For purposes of this sec-
14 tion, the term ‘qualified official extended
15 duty service’ means service on qualified of-
16 ficial extended duty as—

17 “(I) a member of the uniformed
18 services,

19 “(II) a member of the Foreign
20 Service of the United States, or

21 “(III) an employee of the intel-
22 ligence community.

23 “(iii) DEFINITIONS.—Any term used
24 in this subparagraph which is also used in
25 paragraph (9) of section 121(d) shall have

1 the same meaning as when used in such
2 paragraph.

3 “(E) DISPOSITION OF RESIDENCE IN CON-
4 NECTION WITH CHANGE OF EMPLOYMENT.—In
5 the case of the disposition of a principal resi-
6 dence by an individual (or a cessation referred
7 to in paragraph (1)) after December 31, 2022,
8 in connection with a change of employment
9 which meets the conditions described in section
10 217(c), paragraph (1) shall not apply to such
11 disposition (or cessation).

12 “(5) JOINT RETURNS.—In the case of a credit
13 allowed under subsection (a) with respect to a joint
14 return, half of such credit shall be treated as having
15 been allowed to each individual filing such return for
16 purposes of this subsection.

17 “(6) RETURN REQUIREMENT.—If the tax im-
18 posed by this chapter for the taxable year is in-
19 creased under this subsection, the taxpayer shall,
20 notwithstanding section 6012, be required to file a
21 return with respect to the taxes imposed under this
22 subtitle.

23 “(7) RECAPTURE PERIOD.—For purposes of
24 this subsection, the term ‘recapture period’ means
25 the 4 taxable years beginning with the taxable year

1 in which the purchase of the principal residence for
2 which a credit is allowed under subsection (a) was
3 made.

4 “(g) ELECTION TO TREAT PURCHASE IN PRIOR
5 YEAR.—In the case of a purchase of a principal residence
6 after December 31, 2026, a taxpayer may elect to treat
7 such purchase as made on December 31 of the calendar
8 year preceding such purchase for purposes of this section
9 (other than subsections (b)(4), (c), and (h)).

10 “(h) TRANSFER OF CREDIT.—

11 “(1) IN GENERAL.—Subject to such regulations
12 and other guidance as the Secretary determines nec-
13 essary, a taxpayer may elect that the credit which
14 would (but for this subsection) be allowed to such
15 taxpayer with respect to the purchase of a principal
16 residence shall be allowed to the mortgage lender
17 with respect to such purchase and not to such tax-
18 payer.

19 “(2) ELIGIBLE ENTITY.—For purposes of this
20 subsection, the term ‘eligible entity’ means, with re-
21 spect to the purchase of the principal residence for
22 which the credit is allowed under subsection (a), the
23 mortgage lender which provides the mortgage to the
24 taxpayer and has—

1 “(A) registered with the Secretary for pur-
2 poses of this paragraph, at such time, and in
3 such form and manner, as the Secretary may
4 prescribe,

5 “(B) prior to the election described in
6 paragraph (1) and not later than at the time of
7 such purchase, disclosed to the taxpayer making
8 such purchase—

9 “(i) the value of the credit allowed
10 under subsection (a), and

11 “(ii) the amount provided by the
12 mortgage lender to such taxpayer as a con-
13 dition of the election described in para-
14 graph (1).

15 “(C) not later than at the time of such
16 purchase, made payment to such taxpayer
17 (whether in cash or in the form of a partial
18 payment or down payment for the purchase of
19 such principal residence) in an amount equal to
20 the credit otherwise allowable to such taxpayer,
21 and

22 “(D) with respect to any incentive other-
23 wise available for taking a mortgage for which
24 a credit is allowed under this section, including
25 any incentive in the form of a rebate or dis-

1 count provided by the mortgage lender, ensured
2 that—

3 “(i) the availability or use of such in-
4 centive shall not limit the ability of a tax-
5 payer to make an election described in
6 paragraph (1), and

7 “(ii) such election shall not limit the
8 value or use of such incentive.

9 “(3) TIMING.—An election described in para-
10 graph (1) shall be made by the taxpayer not later
11 than the date on which the purchase of the principal
12 residence with respect to which the credit under sub-
13 section (a) is allowed is made.

14 “(4) REVOCATION OF REGISTRATION.—Upon
15 determination by the Secretary that a mortgage
16 lender has failed to comply with the requirements
17 described in paragraph (2), the Secretary may re-
18 voke the registration (as described in subparagraph
19 (A) of such paragraph) of such mortgage lender.

20 “(5) TAX TREATMENT OF PAYMENTS.—With
21 respect to any payment described in paragraph
22 (2)(C), such payment—

23 “(A) shall not be includible in the gross in-
24 come of the taxpayer, and

1 “(B) with respect to the mortgage lender,
2 shall not be deductible under this title.

3 “(6) ADVANCE PAYMENT TO MORTGAGE LEND-
4 ERS.—

5 “(A) IN GENERAL.—The Secretary shall
6 establish a program to make advance payments
7 to any eligible entity in an amount equal to the
8 cumulative amount of the credits allowed under
9 subsection (a) with respect to any mortgages
10 issued by such entity for which an election de-
11 scribed in paragraph (1) has been made.

12 “(B) EXCESSIVE PAYMENTS.—Rules simi-
13 lar to the rules of section 6417(d)(6) shall
14 apply for purposes of this paragraph.

15 “(C) TREATMENT OF ADVANCE PAY-
16 MENTS.—For purposes of section 1324 of title
17 31, United States Code, the payments under
18 subparagraph (A) shall be treated in the same
19 manner as a refund due from a credit provision
20 referred to in subsection (b)(2) of such section.

21 “(7) RECAPTURE.—In the case of any taxpayer
22 who has made an election described in paragraph (1)
23 with respect to the purchase of a principal residence
24 and received a payment described in paragraph
25 (2)(C) from an eligible entity, such principal resi-

1 dence shall be treated as a principal residence with
2 respect to which a credit was allowed under sub-
3 section (a) for purposes of subsection (f).”.

4 (b) CERTAIN ERRORS WITH RESPECT TO FIRST-
5 TIME HOMEBUYER TAX CREDIT TREATED AS MATHE-
6 MATICAL OR CLERICAL ERRORS.—Paragraph (2) of sec-
7 tion 6213(g), as amended by Public Law 119–21, is
8 amended by striking “and” at the end of subparagraph
9 (Z), by striking the period at the end of subparagraph
10 (AA) and inserting “, and”, and by inserting after sub-
11 paragraph (AA) the following new subparagraph:

12 “(BB) an entry on a return claiming the
13 credit under section 36 if—

14 “(i) the Secretary obtains information
15 from the person issuing the TIN of the
16 taxpayer that indicates that the taxpayer
17 does not meet the age requirement of sec-
18 tion 36(b)(4),

19 “(ii) information provided to the Sec-
20 retary by the taxpayer on an income tax
21 return for at least one of the 2 preceding
22 taxable years is inconsistent with eligibility
23 for such credit, or

1 “(iii) the taxpayer fails to attach to
2 the return the form described in section
3 36(d)(3).”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply with respect to principal residences
6 purchased after the date of the enactment of this Act.

7 **SEC. 13002. REFUNDABLE CREDIT FOR RENT PAID FOR**
8 **PRINCIPAL RESIDENCE.**

9 (a) IN GENERAL.—Subpart C of part IV of sub-
10 chapter A of chapter 1 is amended by inserting after sec-
11 tion 36B the following new section:

12 **“SEC. 36C. RENTER TAX CREDIT.**

13 “(a) IN GENERAL.—In the case of an individual who
14 leases the individual’s principal residence (within the
15 meaning of section 121) during the taxable year and who
16 pays rent with respect to such residence in excess of 30
17 percent of the taxpayer’s adjusted gross income for such
18 taxable year, there shall be allowed as a credit against the
19 tax imposed by this subtitle for such taxable year an
20 amount equal to the applicable percentage of such excess.

21 “(b) CREDIT LIMITED BY 100 PERCENT OF SMALL
22 AREA FAIR MARKET RENT.—Solely for purposes of deter-
23 mining the amount of the credit allowed under subsection
24 (a) with respect to a residence for the taxable year, there
25 shall not be taken into account rent in excess of an

1 amount equal to 100 percent of the small area fair market
 2 rent (including the utility allowance) applicable to the resi-
 3 dence involved (as most recently published, as of the be-
 4 ginning of the taxable year, by the Department of Housing
 5 and Urban Development).

6 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-
 7 poses of this section—

8 “(1) APPLICABLE PERCENTAGE.—The term
 9 ‘applicable percentage’ means the percentage deter-
 10 mined in accordance with the following table:

“If the taxpayer’s adjusted gross income is:	The applicable percentage is:
Not over \$25,000	100 percent
Over \$25,000, but not over \$50,000	75 percent
Over \$50,000, but not over \$75,000	50 percent
Over \$75,000, but not over \$100,000	25 percent
Over \$100,000	0 percent.

11 “(2) PARTIAL YEAR RESIDENCE.—The Sec-
 12 retary shall prescribe such rules as are necessary to
 13 carry out the purposes of this section for taxpayers
 14 with respect to whom a residence is a principal resi-
 15 dence for only a portion of the taxable year.

16 “(3) RENT.—The term ‘rent’ includes any
 17 amount paid for utilities of a type taken into ac-
 18 count for purposes of determining the utility allow-
 19 ance under section 42(g)(2)(B)(ii).

20 “(4) MARRIED INDIVIDUALS FILING SEPARATE
 21 RETURNS.—In the case of individuals who are mar-

1 ried to each other, have the same principal resi-
2 dence, and do not file a joint return for the taxable
3 year, the credit determined under this section with
4 respect to each such individual shall be 50 percent
5 of the amount of the credit which would be deter-
6 mined under this section if such individuals filed a
7 joint return, unless such individuals agree on a dif-
8 ferent division of such credit (in such manner as the
9 Secretary may provide) which does not aggregate to
10 more 100 percent of such amount.

11 “(d) RECONCILIATION OF CREDIT AND ADVANCE
12 PAYMENTS.—The amount of the credit allowed under this
13 section for any taxable year shall be reduced (but not
14 below zero) by the aggregate amount of any advance pay-
15 ments of such credit under section 7527B for such taxable
16 year.”.

17 (b) ADVANCE PAYMENT.—Chapter 77 is amended by
18 inserting after section 7527A the following new section:

19 **“SEC. 7527B. ADVANCE PAYMENT OF RENTER TAX CREDIT.**

20 “(a) IN GENERAL.—Not later than 6 months after
21 the date of the enactment of this section, the Secretary
22 shall establish a program for making advance payments
23 of the credit allowed under section 36C on a monthly basis
24 to any taxpayer who—

1 “(1) the Secretary has determined will be al-
2 lowed such credit for the taxable year, and

3 “(2) has made an election under subsection (c).

4 “(b) AMOUNT OF ADVANCE PAYMENT.—

5 “(1) IN GENERAL.—For purposes of subsection
6 (a), the amount of the monthly advance payment of
7 the credit provided to a taxpayer during the applica-
8 ble period shall be equal to the lesser of—

9 “(A) an amount equal to—

10 “(i) the amount of the credit which
11 the Secretary has determined will be al-
12 lowed to such taxpayer under section 36C
13 for the taxable year ending in such applica-
14 ble period, divided by

15 “(ii) 12, or

16 “(B) such other amount as is elected by
17 the taxpayer.

18 “(2) APPLICABLE PERIOD.—For purposes of
19 this section, the term ‘applicable period’ means the
20 12-month period from the month of July of the tax-
21 able year through the month of June of the subse-
22 quent taxable year.

23 “(c) ELECTION OF ADVANCE PAYMENT.—A taxpayer
24 may elect to receive an advance payment of the credit al-
25 lowed under section 36C for any taxable year by including

1 such election on a timely filed return for the preceding
2 taxable year.

3 “(d) INTERNAL REVENUE SERVICE NOTIFICA-
4 TION.—The Internal Revenue Service shall take such
5 steps as may be appropriate to ensure that taxpayers who
6 are eligible to receive the credit under section 36C are
7 aware of the availability of the advance payment of such
8 credit under this section.

9 “(e) TREATMENT OF PAYMENTS.—For purposes of
10 section 1324 of title 31, United States Code, the payments
11 under this section shall be treated in the same manner
12 as a refund due from a credit provision referred to in sub-
13 section (b)(2) of such section.

14 “(f) REGULATIONS.—The Secretary may prescribe
15 such regulations or other guidance as may be necessary
16 or appropriate to carry out the purposes this section.”.

17 (c) CONFORMING AMENDMENTS.—

18 (1) Section 6211(b)(4)(A) is amended by insert-
19 ing “36C,” after “36B,”.

20 (2) Section 1324(b)(2) of title 31, United
21 States Code, is amended by inserting “36C,” after
22 “36B,”.

23 (3) The table of sections for subpart C of part
24 IV of subchapter A of chapter 1 is amended by in-

1 serting after the item relating to section 36B the fol-
2 lowing new item:

“Sec. 36C. Renter tax credit.”.

3 (4) The table of sections for chapter 77 is
4 amended by inserting after the item relating to sec-
5 tion 7527A the following new item:

“Sec. 7527B. Advance payment of renter tax credit.”.

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply with respect to taxable years begin-
8 ning after December 31, 2025.

9 (e) COMMUNITY OUTREACH.—Immediately upon the
10 enactment of this Act, in addition to amounts otherwise
11 available, there are appropriated out of any money in the
12 Treasury not otherwise appropriated \$50,000,000 to re-
13 main available until 5 years after the enactment of this
14 Act for necessary expenses for the Internal Revenue Serv-
15 ice to support efforts to increase enrollment of eligible
16 households in the Renter Tax Credit allowed under section
17 36C of the Internal Revenue Code of 1986 (including the
18 advance payment of such credit under section 7527B of
19 such Code), including but not limited to program out-
20 reach, costs of data sharing arrangements, systems
21 changes, forms changes, and related efforts, and efforts
22 by Federal agencies to facilitate the cross-enrollment of
23 beneficiaries of other programs in such Renter Tax Credit,
24 including by establishing intergovernmental cooperative

1 (b) RESTORATION OF CREDIT FOR WIND AND SOLAR
2 FACILITIES.—Section 45Y(d) is amended—

3 (1) in paragraph (1), by striking “Subject to
4 paragraph (4), the amount” and inserting “The
5 amount”, and

6 (2) by striking paragraph (4).

7 (c) RESTORATION OF CREDIT FOR WIND AND SOLAR
8 LEASING ARRANGEMENTS.—Section 45Y is amended by
9 striking subsection (h).

10 (d) REPEAL OF PROVISION FOR EXISTING STUD-
11 IES.—Section 45Y(b)(2)(C) is amended by striking clause
12 (iii).

13 (e) EFFECTIVE DATES.—The amendments made by
14 this section shall take effect as if included in section
15 70512 of Public Law 119–21.

16 **SEC. 21002. CLEAN ELECTRICITY INVESTMENT CREDIT.**

17 (a) REPEAL OF TERMINATION FOR WIND AND SOLAR
18 FACILITIES.—Section 48E(e) is amended—

19 (1) in paragraph (1), by striking “Subject to
20 paragraph (4), the amount” and inserting “The
21 amount”, and

22 (2) by striking paragraph (4).

23 (b) RESTORATION OF CREDIT FOR EXPENDITURES
24 FOR WIND AND SOLAR LEASING ARRANGEMENTS.—

1 (1) IN GENERAL.—Section 48E is amended by
2 striking subsection (i) and by redesignating sub-
3 sections (j) and (k) as subsections (i) and (j), re-
4 spectively.

5 (2) CONFORMING RULE REPEAL.—Section 50 is
6 amended by striking subsection (e).

7 (c) RESTORATION OF CREDIT FOR CERTAIN ENERGY
8 PROPERTY.—Section 48(a)(2)(A)(ii) is amended by strik-
9 ing “0 percent” and inserting “2 percent”.

10 (d) EFFECTIVE DATES.—The amendments made by
11 this section shall take effect as if included in section
12 70513 of Public Law 119–21.

13 **SEC. 21003. ADVANCED MANUFACTURING PRODUCTION**
14 **CREDIT.**

15 (a) REPEAL OF INCLUSION OF METALLURGICAL
16 COAL AS AN APPLICABLE CRITICAL MINERAL.—Section
17 45X(c)(6) is amended by striking subparagraph (R) and
18 by redesignating subparagraphs (S) through (AA) as sub-
19 paragraphs (R) through (ZZ), respectively.

20 (b) REPEAL OF TERMINATION FOR WIND ENERGY
21 COMPONENTS.—Section 45X(b)(3) is amended by striking
22 subparagraph (D).

23 (c) CONFORMING AMENDMENTS.—

24 (1) Section 45X(b)(1)(M) is amended by strik-
25 ing “(2.5 percent in the case of metallurgical coal)”.

1 **SEC. 21005. REVERSION OF CONSTRUCTION DATE FOR**
2 **CLEAN HYDROGEN PRODUCTION CREDIT.**

3 (a) IN GENERAL.—Section 45V(c)(3)(C) is amended
4 by striking “January 1, 2028” and inserting “January 1,
5 2033”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall take effect as if included in section
8 70511 of Public Law 119–21.

9 **SEC. 21006. REVERSION OF TERMINATION FOR RESIDEN-**
10 **TIAL CLEAN ENERGY CREDIT.**

11 (a) IN GENERAL.—Section 25D(h) is amended by
12 striking “with respect to any expenditures made after De-
13 cember 31, 2025” and inserting “to property placed in
14 service after December 31, 2034”.

15 (b) CONFORMING AMENDMENT.—Section 25D(g) is
16 amended by striking “and” at the end of paragraph (2),
17 by striking “30 percent.” at the end of paragraph (3) and
18 inserting “and before January 1, 2033, 30 percent,” and
19 by adding at the end the following new paragraphs:

20 “(4) in the case of property placed in service
21 after December 31, 2032, and before January 1,
22 2034, 26 percent, and

23 “(5) in the case of property placed in service
24 after December 31, 2033, and before January 1,
25 2035, 22 percent.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect as if included in section
3 70506 of Public Law 119–21.

4 **SEC. 21007. REINSTATEMENT OF SPECIAL RATE FOR SUS-**
5 **TAINABLE AVIATION FUEL.**

6 (a) IN GENERAL.—Section 45Z(a)(3) is amended to
7 read as follows:

8 “(3) SPECIAL RATE FOR SUSTAINABLE AVIA-
9 TION FUEL.—

10 “(A) IN GENERAL.—In the case of a trans-
11 portation fuel which is sustainable aviation fuel,
12 paragraph (2) shall be applied—

13 “(i) in the case of fuel produced at a
14 qualified facility described in paragraph
15 (2)(A), by substituting ‘35 cents’ for ‘20
16 cents’, and

17 “(ii) in the case of fuel produced at a
18 qualified facility described in paragraph
19 (2)(B), by substituting ‘\$1.75’ for ‘\$1.00’.

20 “(B) SUSTAINABLE AVIATION FUEL.—For
21 purposes of subparagraph (A), the term ‘sus-
22 tainable aviation fuel’ means liquid fuel, the
23 portion of which is not kerosene, which is sold
24 for use in an aircraft and which—

25 “(i) meets the requirements of—

1 “(I) ASTM International Stand-
2 ard D7566, or

3 “(II) the Fischer Tropsch provi-
4 sions of ASTM International Stand-
5 ard D1655, Annex A1, and

6 “(ii) is not derived from palm fatty
7 acid distillates or petroleum.”.

8 (b) CONFORMING AMENDMENT.—Section 45Z(c)(1)
9 is amended by striking “and the \$1.00 amount in sub-
10 section (a)(2)(B)” and inserting “the \$1.00 amount in
11 subsection (a)(2)(B), the 35 cent amount in subsection
12 (a)(3)(A)(i), and the \$1.75 amount in subsection
13 (a)(3)(A)(ii)”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall take effect as if included in section
16 70521 of Public Law 119–21.

17 **Subtitle B—Lowering Costs**
18 **Through Energy Efficiency**

19 **SEC. 22001. ENERGY EFFICIENT HOME IMPROVEMENT**
20 **CREDIT.**

21 (a) RESTORING PRODUCT IDENTIFICATION NUMBER
22 REQUIREMENT.—Section 25C(h) is amended to read as
23 follows:

24 “(h) PRODUCT IDENTIFICATION NUMBER REQUIRE-
25 MENT.—

1 “(1) IN GENERAL.—No credit shall be allowed
2 under subsection (a) with respect to any item of
3 specified property placed in service after December
4 31, 2025, unless—

5 “(A) such item is produced by a qualified
6 manufacturer, and

7 “(B) the taxpayer includes the qualified
8 product identification number of such item on
9 the return of tax for the taxable year.

10 “(2) QUALIFIED PRODUCT IDENTIFICATION
11 NUMBER.—For purposes of this section, the term
12 ‘qualified product identification number’ means, with
13 respect to any item of specified property, the prod-
14 uct identification number assigned to such item by
15 the qualified manufacturer pursuant to the method-
16 ology referred to in paragraph (3).

17 “(3) QUALIFIED MANUFACTURER.—For pur-
18 poses of this section, the term ‘qualified manufac-
19 turer’ means any manufacturer of specified property
20 which enters into an agreement with the Secretary
21 which provides that such manufacturer will—

22 “(A) assign a product identification num-
23 ber to each item of specified property produced
24 by such manufacturer utilizing a methodology
25 that will ensure that such number (including

1 any alphanumeric) is unique to each such item
2 (by utilizing numbers or letters which are
3 unique to such manufacturer or by such other
4 method as the Secretary may provide),

5 “(B) label such item with such number in
6 such manner as the Secretary may provide, and

7 “(C) make periodic written reports to the
8 Secretary (at such times and in such manner as
9 the Secretary may provide) of the product iden-
10 tification numbers so assigned and including
11 such information as the Secretary may require
12 with respect to the item of specified property to
13 which such number was so assigned.

14 “(4) SPECIFIED PROPERTY.—For purposes of
15 this subsection, the term ‘specified property’ means
16 any qualified energy property and any property de-
17 scribed in subparagraph (B) or (C) of subsection
18 (c)(3).”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall take effect as if included in the enact-
21 ment of section 70505 of Public Law 119–21.

22 **SEC. 22002. NEW ENERGY EFFICIENT HOME CREDIT.**

23 (a) IN GENERAL.—Section 45L(h) is amended by
24 striking “acquired after June 30, 2026” and inserting
25 “acquired after December 31, 2032”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall take effect as if included in section
3 70508 of Public Law 119–21.

4 **SEC. 22003. REPEAL OF TERMINATION OF NEW ENERGY EF-**
5 **FICIENT COMMERCIAL BUILDINGS DEDUC-**
6 **TION.**

7 (a) IN GENERAL.—Section 179D is amended by
8 striking subsection (i).

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall take effect as if included in section
11 70507 of Public Law 119–21.

12 **SEC. 22004. RESTORATION OF COST RECOVERY FOR EN-**
13 **ERGY PROPERTY.**

14 (a) IN GENERAL.—Section 168(e)(3)(B)(vi) is
15 amended—

16 (1) by redesignating subclauses (I) and (II) as
17 subclauses (II) and (III), respectively, and

18 (2) by inserting before subclause (II) (as so re-
19 designated) the following subclause:

20 “(I) is described in subparagraph
21 (A) of section 48(a)(3) (or would be
22 so described if ‘solar or wind energy’
23 were substituted for ‘solar energy’ in
24 clause (i) thereof and the last sen-

1 tence of such section did not apply to
2 such subparagraph),”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall take effect as if included in section
5 70509 of Public Law 119–21.

6 **Subtitle C—Lowering Costs for**
7 **Electric Vehicles and Charging**
8 **Infrastructure**

9 **SEC. 23001. REVERSION OF TERMINATION DATE FOR PRE-**
10 **VIOUSLY-OWNED VEHICLE CREDIT.**

11 (a) **IN GENERAL.**—Section 25E(g) is amended by
12 striking “acquired after September 30, 2025” and insert-
13 ing “acquired after December 31, 2032”.

14 (b) **EFFECTIVE DATE.**—The amendment made by
15 this section shall take effect as if included in section
16 70501 of Public Law 119–21.

17 **SEC. 23002. REVERSION OF TERMINATION DATE FOR**
18 **CLEAN VEHICLE CREDIT.**

19 (a) **IN GENERAL.**—Section 30D(h) is amended by
20 striking “acquired after September 30, 2025” and insert-
21 ing “placed in service after December 31, 2032”.

22 (b) **CONFORMING AMENDMENTS.**—

23 (1) Section 30D(e)(1)(B) is amended by strik-
24 ing “and” at the end of clause (iii), by striking the

1 period at the end of clause (iv) and inserting “,
2 and”, and by adding at the end the following clause:

3 “(v) in the case of a vehicle placed in
4 service after December 31, 2026, 80 per-
5 cent.”.

6 (2) Section 30D(e)(2)(B) is amended by strik-
7 ing “and” at the end of clause (ii), by striking the
8 period at the end of clause (iii), and by adding at
9 the end the following clauses:

10 “(iv) in the case of a vehicle placed in
11 service during calendar year 2027, 80 per-
12 cent,

13 “(v) in the case of a vehicle placed in
14 service during calendar year 2028, 90 per-
15 cent, and

16 “(vi) in the case of a vehicle placed in
17 service after December 31, 2028, 100 per-
18 cent.”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect as if included in section
21 70502 of Public Law 119–21.

1 **SEC. 23003. QUALIFIED COMMERCIAL CLEAN VEHICLES**
2 **CREDIT.**

3 (a) REVERSION OF TERMINATION DATE.—Section
4 45W(g) is amended by striking “September 30, 2025” and
5 inserting “December 31, 2032”.

6 (b) CLARIFICATION OF APPLICATION TO MOBILE
7 MACHINERY.—

8 (1) IN GENERAL.—Section 45W(c)(2) is amend-
9 ed—

10 (A) in subparagraph (A), by striking “pri-
11 marily”, and

12 (B) in subparagraph (B), by striking “mo-
13 bile machinery, as defined in section 4053(8)”
14 and inserting “a vehicle that performs a con-
15 struction, manufacturing, processing, farming,
16 mining, drilling, timbering, or similar oper-
17 ation”.

18 (2) QUALIFIED MANUFACTURER AND VIN RE-
19 QUIREMENTS NOT APPLICABLE.—

20 (A) QUALIFIED MANUFACTURER REQUIRE-
21 MENTS.—Section 45W(c) is amended—

22 (i) in paragraph (1), by striking
23 “meets the requirements of section
24 30D(d)(1)(C) and”,

1 (ii) in paragraph (2)(A), by striking
2 “subparagraph (D)” and inserting “sub-
3 paragraphs (C) and (D)”, and

4 (iii) in paragraph (3), by striking “ei-
5 ther—” and inserting “meets the require-
6 ments of section 30D(d)(1)(C) and ei-
7 ther—”.

8 (B) VIN REQUIREMENTS.—Section
9 45W(e) is amended by inserting “(other than a
10 vehicle described in subsection (c)(2)(B))” after
11 “any vehicle”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall take effect as if included in section
14 70503 of Public Law 119–21.

15 **SEC. 23004. REVERSION OF TERMINATION DATE FOR AL-**
16 **TERNATIVE FUEL VEHICLE REFUELING**
17 **PROPERTY CREDIT.**

18 (a) IN GENERAL.—Section 30C(i) is amended by
19 striking “June 30, 2026” and inserting “December 31,
20 2032”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall take effect as if included in section
23 70504 of Public Law 119–21.

1 **SEC. 23005. CREDIT FOR CERTAIN NEW ELECTRIC BICY-**
2 **CLES.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-
4 chapter A of chapter 1, as amended by the preceding pro-
5 vision of this Act, is amended by inserting after section
6 36C the following new section:

7 **“SEC. 36D. ELECTRIC BICYCLES.**

8 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
9 dividual, there shall be allowed as a credit against the tax
10 imposed by this chapter for the taxable year an amount
11 equal to 30 percent of the cost of each qualified electric
12 bicycle placed in service by the taxpayer during such tax-
13 able year.

14 “(b) LIMITATIONS.—

15 “(1) LIMITATION ON COST PER BICYCLE TAKEN
16 INTO ACCOUNT.—The amount taken into account
17 under subsection (a) as the cost of any qualified
18 electric bicycle shall not exceed \$5,000.

19 “(2) LIMITATION ON NUMBER OF BICYCLES.—
20 In the case of any taxpayer for any taxable year, the
21 number of qualified electric bicycles taken into ac-
22 count under subsection (a) shall not exceed the ex-
23 cess (if any) of—

24 “(A) 1 (2 in the case of a joint return), re-
25 duced by

1 “(B) the aggregate number of qualified
2 electric bicycles taken into account by the tax-
3 payer under subsection (a) for the 2 preceding
4 taxable years.

5 “(3) PHASEOUT BASED ON INCOME.—

6 “(A) PHASEOUT BASED ON MODIFIED AD-
7 JUSTED GROSS INCOME.—The credit allowed
8 under subsection (a) shall be reduced by \$100
9 for each \$1,000 (or fraction thereof) by which
10 the taxpayer’s modified adjusted gross income
11 exceeds—

12 “(i) \$300,000 in the case of a joint
13 return or a surviving spouse (as defined in
14 section 2(a)),

15 “(ii) \$225,000 in the case of a head
16 of household (as defined in section 2(b)),
17 and

18 “(iii) \$150,000 in the case of a tax-
19 payer not described in clause (i) or (ii).

20 “(B) SPECIAL RULE FOR MODIFIED AD-
21 JUSTED GROSS INCOME TAKEN INTO AC-
22 COUNT.—The modified adjusted gross income
23 of the taxpayer that is taken into account for
24 purposes of subparagraph (A) shall be the less-
25 er of—

1 “(i) the modified adjusted gross in-
2 come for the taxable year with respect to
3 which the credit is claimed, or

4 “(ii) the modified adjusted gross in-
5 come for the immediately preceding taxable
6 year.

7 “(C) MODIFIED ADJUSTED GROSS IN-
8 COME.—For purposes of subparagraph (A), the
9 term ‘modified adjusted gross income’ means
10 adjusted gross income increased by any amount
11 excluded from gross income under section 911,
12 931, or 933.

13 “(c) QUALIFIED ELECTRIC BICYCLE.—For purposes
14 of this section—

15 “(1) IN GENERAL.—The term ‘qualified electric
16 bicycle’ means a bicycle or tricycle—

17 “(A) the original use of which commences
18 with the taxpayer,

19 “(B) which is acquired for use by the tax-
20 payer and not for resale,

21 “(C) which is not property of a character
22 subject to an allowance for depreciation or am-
23 ortization in the hands of the taxpayer,

24 “(D) which is made by a qualified manu-
25 facturer and is labeled with the qualified vehicle

1 identification number assigned to such bicycle
2 or tricycle by such manufacturer,

3 “(E) with respect to which the aggregate
4 amount paid for such acquisition does not ex-
5 ceed \$8,000,

6 “(F) which is a class 1 electric bicycle or
7 tricycle, a class 2 electric bicycle or tricycle, or
8 a class 3 electric bicycle or tricycle,

9 “(G) which is equipped with—

10 “(i) fully operable pedals,

11 “(ii) a saddle or seat for the rider,

12 and

13 “(iii) an electric motor of less than
14 750 watts which is designed to provide as-
15 sistance in propelling the bicycle or tricycle
16 and—

17 “(I) does not provide such assist-
18 ance if the bicycle or tricycle is mov-
19 ing in excess of 20 miles per hour, or

20 “(II) if such motor only provides
21 such assistance when the rider is ped-
22 aling, does not provide such assistance
23 if the bicycle or tricycle is moving in
24 excess of 28 miles per hour,

1 “(H) which is not equipped with any motor
2 other than the motor described in subparagraph
3 (G)(iii),

4 “(I) which is not capable of exceeding the
5 speed limitation in paragraph (2) by means of
6 any electronic switch, setting or software modi-
7 fication provided or made available by the man-
8 ufacturer, and

9 “(J) which has a drive system that has
10 been certified by an accredited laboratory to
11 Underwriters Laboratory (UL) standard UL
12 2849, or a battery that has been certified to
13 any of the battery safety standards listed in
14 such standard UL 2849 or such other drive sys-
15 tem or battery safety standard as may be recog-
16 nized by the United States Consumer Product
17 Safety Commission.

18 “(2) CLASS 1 ELECTRIC BICYCLE OR TRI-
19 CYCLE.—The term ‘class 1 electric bicycle or tri-
20 cycle’ means a two- or three-wheeled vehicle
21 equipped with an electric motor that provides assist-
22 ance only when the rider is pedaling, that is not ca-
23 pable of providing assistance when the speed of the
24 vehicle exceeds 20 miles per hour, and that is not a
25 class 3 electric bicycle or tricycle.

1 “(3) CLASS 2 ELECTRIC BICYCLE OR TRI-
2 CYCLE.—The term ‘class 2 electric bicycle or tri-
3 cycle’ means a two- or three-wheeled vehicle
4 equipped with an electric motor that may be used to
5 propel the vehicle without the need of any additional
6 assistance, and that is not capable of providing as-
7 sistance when the speed of the vehicle exceeds 20
8 miles per hour.

9 “(4) CLASS 3 ELECTRIC BICYCLE OR TRI-
10 CYCLE.—The term ‘class 3 electric bicycle or tri-
11 cycle’ means a two- or three-wheeled vehicle
12 equipped with an electric motor that provides assist-
13 ance only when the rider is pedaling, and that is not
14 capable of providing assistance when the speed of
15 the vehicle exceeds 28 miles per hour.

16 “(d) SPECIAL RULE FOR BICYCLES USED BY AN IN-
17 DIVIDUAL IN A TRADE OR BUSINESS.—In the case of any
18 bicycle or tricycle with respect to which the taxpayer elects
19 (at such time and in such manner as the Secretary may
20 provide) the application of this subsection—

21 “(1) subsections (e)(1)(C) and (f)(2) shall not
22 apply with respect to such bicycle or tricycle, and

23 “(2) no deduction (including any deduction for
24 depreciation or amortization) or credit (other than

1 the credit allowed under this section) shall be al-
2 lowed for the cost of such bicycle or tricycle.

3 “(e) VIN NUMBER REQUIREMENT.—

4 “(1) IN GENERAL.—No credit shall be allowed
5 under subsection (a) with respect to any qualified
6 electric bicycle unless the taxpayer includes the
7 qualified vehicle identification number of such bicy-
8 cle on the return of tax for the taxable year.

9 “(2) QUALIFIED VEHICLE IDENTIFICATION
10 NUMBER.—For purposes of this section, the term
11 ‘qualified vehicle identification number’ means, with
12 respect to any qualified electric bicycle, the vehicle
13 identification number assigned to such bicycle by a
14 qualified manufacturer pursuant to the methodology
15 referred to in paragraph (3)(A).

16 “(3) QUALIFIED MANUFACTURER.—For pur-
17 poses of this section, the term ‘qualified manufac-
18 turer’ means any manufacturer of qualified electric
19 bicycles which enters into an agreement with the
20 Secretary which provides that such manufacturer
21 will—

22 “(A) assign a vehicle identification number
23 to each qualified electric bicycle produced by
24 such manufacturer utilizing a methodology that
25 will ensure that such number (including any al-

1 phanumeric) is unique to such bicycle (by uti-
2 lizing numbers or letters which are unique to
3 such manufacturer or by such other method as
4 the Secretary may provide),

5 “(B) label such bicycle with such number
6 in such manner as the Secretary may provide,
7 and

8 “(C) make periodic written reports to the
9 Secretary (at such times and in such manner as
10 the Secretary may provide) of the vehicle identi-
11 fication numbers so assigned and including
12 such information as the Secretary may require
13 with respect to the qualified electric bicycle to
14 which such number was so assigned.

15 “(f) SPECIAL RULES.—

16 “(1) BASIS REDUCTION.—For purposes of this
17 subtitle, the basis of any property for which a credit
18 is allowable under subsection (a) shall be reduced by
19 the amount of such credit so allowed.

20 “(2) NO DOUBLE BENEFIT.—The amount of
21 any deduction or other credit allowable under this
22 chapter for a qualified electric bicycle for which a
23 credit is allowable under subsection (a) shall be re-
24 duced by the amount of credit allowed under such
25 subsection for such bicycle.

1 “(3) PROPERTY USED OUTSIDE UNITED STATES
2 NOT QUALIFIED.—No credit shall be allowable under
3 subsection (a) with respect to any property referred
4 to in section 50(b)(1).

5 “(4) RECAPTURE.—The Secretary shall, by reg-
6 ulations or other guidance, provide for recapturing
7 the benefit of any credit allowable under subsection
8 (a) with respect to any property which ceases to be
9 property eligible for such credit.

10 “(5) ELECTION NOT TO TAKE CREDIT.—No
11 credit shall be allowed under subsection (a) for any
12 qualified electric bicycle if the taxpayer elects to not
13 have this section apply to such bicycle.

14 “(g) TREATMENT OF CERTAIN POSSESSIONS.—

15 “(1) PAYMENTS TO POSSESSIONS WITH MIRROR
16 CODE TAX SYSTEMS.—The Secretary shall pay to
17 each possession of the United States which has a
18 mirror code tax system amounts equal to the loss (if
19 any) to that possession by reason of the application
20 of the provisions of this section (determined without
21 regard to this subsection). Such amounts shall be
22 determined by the Secretary based on information
23 provided by the government of the respective posses-
24 sion.

1 “(2) PAYMENTS TO OTHER POSSESSIONS.—The
2 Secretary shall pay to each possession of the United
3 States which does not have a mirror code tax system
4 amounts estimated by the Secretary as being equal
5 to the aggregate benefits (if any) that would have
6 been provided to residents of such possession by rea-
7 son of the provisions of this section if a mirror code
8 tax system had been in effect in such possession.
9 The preceding sentence shall not apply unless the re-
10 spective possession has a plan which has been ap-
11 proved by the Secretary under which such possession
12 will promptly distribute such payments to its resi-
13 dents.

14 “(3) MIRROR CODE TAX SYSTEM; TREATMENT
15 OF PAYMENTS.—Rules similar to the rules of para-
16 graphs (3), (4), and (5) of section 21(h) shall apply
17 for purposes of this section.

18 “(h) TRANSFER OF CREDIT.—

19 “(1) IN GENERAL.—Subject to such regulations
20 or other guidance as the Secretary determines nec-
21 essary or appropriate, if the taxpayer who acquires
22 a qualified electric bicycle is an individual and elects
23 the application of this subsection with respect to
24 such qualified electric bicycle, the credit which would
25 (but for this subsection) be allowed to such taxpayer

1 with respect to such qualified electric bicycle shall be
2 allowed to the eligible entity specified in such elec-
3 tion (and not to such taxpayer).

4 “(2) ELIGIBLE ENTITY.—For purposes of this
5 paragraph, the term ‘eligible entity’ means, with re-
6 spect to the qualified electric bicycle for which the
7 credit is allowed under subsection (a), the retailer
8 which sold such qualified electric bicycle to the tax-
9 payer and has—

10 “(A) subject to paragraph (4), registered
11 with the Secretary for purposes of this para-
12 graph, at such time, and in such form and
13 manner, as the Secretary may prescribe,

14 “(B) prior to the election described in
15 paragraph (1) and no later than at the time of
16 such sale, disclosed to the taxpayer purchasing
17 such qualified electric bicycle—

18 “(i) the retail price,

19 “(ii) the value of the credit allowed or
20 other incentive available for the purchase
21 of such qualified electric bicycle,

22 “(iii) all fees associated with the pur-
23 chase of such qualified electric bicycle, and

1 “(iv) the amount provided by the re-
2 tailer to such taxpayer as a condition of
3 the election described in paragraph (1),

4 “(C) made payment to such taxpayer
5 (whether in cash or in the form of a partial
6 payment or down payment for the purchase of
7 such qualified electric bicycle) in an amount
8 equal to the credit otherwise allowable to such
9 taxpayer, and

10 “(D) with respect to any incentive other-
11 wise available for the purchase of a qualified
12 electric bicycle for which a credit is allowed
13 under this section, including any incentive in
14 the form of a rebate or discount provided by the
15 retailer or manufacturer, ensured that—

16 “(i) the availability or use of such in-
17 centive shall not limit the ability of a tax-
18 payer to make an election described in
19 paragraph (1), and

20 “(ii) such election shall not limit the
21 value or use of such incentive.

22 “(3) TIMING.—An election described in para-
23 graph (1) shall be made by the taxpayer not later
24 than the date on which the qualified electric bicycle

1 for which the credit is allowed under subsection (a)
2 is purchased.

3 “(4) REVOCATION OF REGISTRATION.—Upon
4 determination by the Secretary that a retailer has
5 failed to comply with the requirements described in
6 paragraph (2), the Secretary may revoke the reg-
7 istration (as described in subparagraph (A) of such
8 paragraph) of such retailer.

9 “(5) TAX TREATMENT OF PAYMENTS.—With
10 respect to any payment described in paragraph
11 (2)(C), such payment—

12 “(A) shall not be includible in the gross in-
13 come of the taxpayer, and

14 “(B) with respect to the retailer, shall not
15 be deductible under this title.

16 “(6) APPLICATION OF CERTAIN OTHER RE-
17 QUIREMENTS.—In the case of any election under
18 paragraph (1) with respect to any qualified electric
19 bicycle—

20 “(A) the amount of the reduction under
21 subsection (b) shall be determined with respect
22 to the modified adjusted gross income of the
23 taxpayer for the taxable year preceding the tax-
24 able year in which such qualified electric bicycle
25 was acquired (and not with respect to such in-

1 come for the taxable year in which such quali-
2 fied electric bicycle was acquired),

3 “(B) the requirements of paragraphs (1)
4 and (2) of subsection (f) shall apply to the tax-
5 payer who acquired the qualified electric bicycle
6 in the same manner as if the credit determined
7 under this section with respect to such qualified
8 electric bicycle were allowed to such taxpayer,
9 and

10 “(C) subsection (f)(5) shall not apply.

11 “(7) ADVANCE PAYMENT TO REGISTERED RE-
12 TAILERS.—

13 “(A) IN GENERAL.—The Secretary shall
14 establish a program to make advance payments
15 to any eligible entity in an amount equal to the
16 cumulative amount of the credits allowed under
17 subsection (a) with respect to any qualified elec-
18 tric bicycles sold by such entity for which an
19 election described in paragraph (1) has been
20 made.

21 “(B) EXCESSIVE PAYMENTS.—Rules simi-
22 lar to the rules of section 6417(c)(6) shall apply
23 for purposes of this paragraph.

24 “(8) RETAILER.—For purposes of this sub-
25 section, the term ‘retailer’ means a person engaged

1 in the trade or business of selling qualified electric
2 bicycles in a State, the District of Columbia, the
3 Commonwealth of Puerto Rico, or any other terri-
4 tory or possession of the United States.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 1016(a), as amended by the pre-
7 ceding provisions of this Act, is amended by striking
8 “and” at the end of paragraph (38), by striking the
9 period at the end of paragraph (39) and inserting “,
10 and”, and by adding at the end the following new
11 paragraph:

12 “(40) to the extent provided in section
13 36D(f)(1).”.

14 (2) Section 6211(b)(4)(A), as amended by the
15 preceding provisions of this Act, is amended by in-
16 serting “36D,” after “36C,”.

17 (3) Section 6213(g)(2) is amended—

18 (A) in subparagraph (Z), by striking
19 “and” at the end,

20 (B) in subparagraph (AA), by striking the
21 period at the end and inserting “, and”, and

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

23 “(BB) an omission of a correct vehicle
24 identification number required under section

1 36D(e) (relating to electric bicycles credit) to be
2 included on a return.”.

3 (4) Section 6501(m) is amended by inserting
4 “36D(f)(5),” after “35(g)(11),”.

5 (5) Section 1324(b)(2) of title 31, United
6 States Code, as amended by the preceding provisions
7 of this Act, is amended by inserting “36D,” after
8 “36C,”.

9 (c) CLERICAL AMENDMENT.—The table of sections
10 for subpart C of part IV of subchapter A of chapter 1,
11 as amended by the preceding provisions of this Act, is
12 amended by adding at the end the following new item:

 “Sec. 36D. Electric bicycles.”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to property placed in service after
15 the date of the enactment of this Act, in taxable years
16 ending after such date.

17 (e) TREASURY REPORT.—Not later than 3 years
18 after the date of the enactment of this Act, the Secretary
19 of the Treasury (or the Secretary’s delegate) shall make
20 publicly available a written report specifying the number
21 of taxpayers claiming the credit allowed under section 36D
22 of the Internal Revenue Code of 1986 (as added by this
23 section) and the aggregate dollar amount of such credits
24 so allowed. Such information shall be stated separately for
25 taxable years beginning in 2026 and 2027, and shall be

1 stated separately with respect to each such years with re-
2 spect to taxpayers in each of the income brackets to which
3 section 1 of such Code applies.

4 **Subtitle D—Lowering Costs of**
5 **Clean Infrastructure and Resil-**
6 **iencey**

7 **SEC. 24001. QUALIFYING WATER REUSE PROJECT CREDIT.**

8 (a) IN GENERAL.—Subpart E of part IV of sub-
9 chapter A of chapter 1, as amended by the preceding pro-
10 visions of this Act, is amended by inserting after section
11 48H the following new section:

12 **“SEC. 48I. QUALIFYING WATER REUSE PROJECT CREDIT.**

13 “(a) IN GENERAL.—For purposes of section 46, the
14 qualifying water reuse project credit for any taxable year
15 is an amount equal to 30 percent of the qualified invest-
16 ment for such taxable year with respect to any qualifying
17 water reuse project of the taxpayer.

18 “(b) QUALIFIED INVESTMENT.—

19 “(1) IN GENERAL.—For purposes of subsection
20 (a), the qualified investment with respect to any
21 qualifying water reuse project for any taxable year
22 is the basis of qualified property placed in service by
23 the taxpayer during such taxable year which is part
24 of such qualifying water reuse project.

1 “(2) QUALIFIED PROPERTY.—For purposes of
2 this subsection, the term ‘qualified property’ means
3 property—

4 “(A) which is tangible property,

5 “(B) with respect to which depreciation (or
6 amortization in lieu of depreciation) is allow-
7 able, and

8 “(C) which is—

9 “(i) constructed, reconstructed, or
10 erected by the taxpayer, or

11 “(ii) acquired by the taxpayer if the
12 original use of such property commences
13 with the taxpayer.

14 “(3) CERTAIN QUALIFIED PROGRESS EXPENDI-
15 TURES RULES MADE APPLICABLE.—Rules similar to
16 the rules of subsections (c)(4) and (d) of section 46
17 (as in effect on the day before the enactment of the
18 Revenue Reconciliation Act of 1990) shall apply for
19 purposes of this section.

20 “(c) QUALIFYING WATER REUSE PROJECT.—For
21 purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualifying water
23 reuse project’ means a project which—

24 “(A) installs, replaces, or modifies an on-
25 site water recycling system within an industrial,

1 manufacturing, data center, or food processing
2 facility,

3 “(B) replaces the use of freshwater, such
4 as groundwater, with recycled water from a mu-
5 nicipal water provider for the production of
6 goods or provision of services, or

7 “(C) builds or expands a municipal water
8 recycling system for the purpose of securing re-
9 cycled water for the production of goods or pro-
10 vision of services.

11 “(2) PREVAILING WAGE AND APPRENTICESHIP
12 REQUIREMENTS.—Such term shall not include any
13 project unless such project meets the requirements
14 of paragraph (7) and (8) of section 45(b).

15 “(d) SPECIAL RULE FOR CERTAIN PROPERTY
16 TRANSFERRED TO UTILITIES.—

17 “(1) IN GENERAL.—In the case of any qualified
18 transfer property transferred from a person to a
19 utility—

20 “(A) such property shall be treated as
21 qualified property with respect to such person,

22 “(B) such person shall be treated as hav-
23 ing placed such property in service at the time
24 of such transfer,

1 “(C) the basis of such person in such prop-
2 erty which is taken into account under sub-
3 section (b)(1) shall be the basis of such person
4 in such property at the time of such transfer,
5 and

6 “(D) such property shall not be taken into
7 account for purposes of determining any credit
8 allowed under this section to such utility.

9 “(2) QUALIFIED TRANSFER PROPERTY.—For
10 purposes of this subsection, the term ‘qualified
11 transfer property’ means property transferred from
12 a person to a utility if—

13 “(A) such property is qualified property
14 with respect to such utility, and

15 “(B) such person and such utility enter
16 into a binding written agreement under which
17 such person is treated as eligible for the credit
18 allowed under this section with respect to such
19 property in lieu of such utility.

20 “(e) TERMINATION.—This section shall not apply to
21 any property the construction of which begins after De-
22 cember 31, 2032.”.

23 (b) PART OF INVESTMENT CREDIT.—Section 46, as
24 amended by the preceding provisions of this Act, is amend-
25 ed by striking “and” at the end of paragraph (9), by strik-

1 ing the period at the end of paragraph (10) and inserting
2 “, and”, and by adding at the end the following new para-
3 graph:

4 “(11) the qualifying water reuse project cred-
5 it.”.

6 (c) CLERICAL AMENDMENT.—The table of sections
7 for subpart D of part IV of subchapter A of chapter 1,
8 as amended by the preceding provisions of this Act, is
9 amended by inserting after the item relating to section
10 48H the following new item:

“Sec. 48I. Qualifying water reuse project credit.”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to periods after the date of the
13 enactment of this section under rules similar to the rules
14 of section 48(m) of the Internal Revenue Code of 1986
15 (as in effect on the date of the enactment of the Revenue
16 Reconciliation Act of 1990).

17 **SEC. 24002. RECYCLING PROPERTY INVESTMENT CREDIT.**

18 (a) IN GENERAL.—Subpart E of part IV of sub-
19 chapter A of chapter 1, as amended by the preceding pro-
20 visions of this Act, is amended by inserting after section
21 48I the following new section:

22 **“SEC. 48J. RECYCLING PROPERTY INVESTMENT CREDIT.**

23 “(a) IN GENERAL.—For purposes of section 46, the
24 recycling property investment credit for any taxable year

1 is an amount equal to 30 percent of the qualified invest-
2 ment for such taxable year.

3 “(b) QUALIFIED INVESTMENT.—

4 “(1) IN GENERAL.—For purposes of subsection
5 (a), the qualified investment for any taxable year is
6 the basis of any eligible property placed in service by
7 the taxpayer during such taxable year.

8 “(2) ELIGIBLE PROPERTY.—For purposes of
9 this section—

10 “(A) IN GENERAL.—The term ‘eligible
11 property’ means property—

12 “(i) which is qualified recycling prop-
13 erty,

14 “(ii) with respect to which deprecia-
15 tion (or amortization in lieu of deprecia-
16 tion) is allowable, and

17 “(iii)(I) the construction, reconstruc-
18 tion, addition, or erection of which is com-
19 pleted by the taxpayer, or

20 “(II) which is acquired by the tax-
21 payer if the original use of such property
22 commences with the taxpayer, and

23 “(B) PREVAILING WAGE AND APPRENTICE-
24 SHIP REQUIREMENTS.—Such term shall not in-
25 clude any property unless such property meets

1 the requirements of paragraph (7) and (8) of
2 section 45(b).

3 “(c) SPECIAL RULES.—For purposes of this sec-
4 tion—

5 “(1) CERTAIN PROGRESS EXPENDITURE RULES
6 MADE APPLICABLE.—Rules similar to the rules of
7 subsections (c)(4) and (d) of section 46 (as in effect
8 on the day before the date of the enactment of the
9 Revenue Reconciliation Act of 1990) shall apply.

10 “(2) SPECIAL RULE FOR CERTAIN SUBSIDIZED
11 PROPERTY.—Rules similar to section 45(b)(3) shall
12 apply.

13 “(3) DOMESTIC CONTENT BONUS CREDIT
14 AMOUNT.—

15 “(A) IN GENERAL.—In the case of any
16 qualified investment which satisfies the require-
17 ment under subparagraph (B), the amount of
18 the credit determined under subsection (a) (de-
19 termined without regard to this paragraph be-
20 fore the application of subsection (d) and after
21 the application of any other provision of this
22 section) shall be increased by an amount equal
23 to 10 percentage points of the amount so deter-
24 mined.

1 “(B) REQUIREMENT.—Rules similar to the
2 rules of section 45(b)(9)(B) shall apply.

3 “(4) PHASEOUT FOR ELECTIVE PAYMENT.—In
4 the case of a taxpayer making an election under sec-
5 tion 6417 with respect to a credit under this section,
6 rules similar to the rules of section 45(b)(10) shall
7 apply.

8 “(d) CREDIT PHASE-OUT.—

9 “(1) IN GENERAL.—The amount of the credit
10 determined under subsection (a) with respect to any
11 qualified investment shall be equal to the product
12 of—

13 “(A) the amount of the credit determined
14 under subsection (a) without regard to this sub-
15 section, multiplied by

16 “(B) the phase-out percentage under para-
17 graph (2).

18 “(2) PHASE-OUT PERCENTAGE.—The phase-out
19 percentage under this paragraph is equal to—

20 “(A) in the case of any eligible property
21 with a determination date beginning on or after
22 January 1, 2026, and before December 31,
23 2032, 100 percent,

24 “(B) in the case of any eligible property
25 with a determination date beginning on or after

1 January 1, 2033, and before December 31,
2 2033, 80 percent,

3 “(C) in the case of any eligible property
4 with a determination date beginning on or after
5 January 1, 2034, and before December 31,
6 2034, 60 percent,

7 “(D) in the case of any eligible property
8 with a determination date beginning on or after
9 January 1, 2035, and before December 31,
10 2035, 40 percent,

11 “(E) in the case of any eligible property
12 with a determination date beginning on or after
13 January 1, 2036, and before December 31,
14 2036, 20 percent, and

15 “(F) in the case of any eligible property
16 with a determination date beginning on or after
17 January 1, 2037, 0 percent.

18 “(3) DETERMINATION DATE.—For purposes of
19 paragraph (2), the determination date of an eligible
20 property is—

21 “(A) in the case such property is described
22 in subsection (b)(2)(C)(i), the date on which
23 the construction, reconstruction, addition, or
24 erection of such property begins, and

1 “(B) in any other case, the date on which
2 such property is placed in service.

3 “(e) DENIAL OF DOUBLE BENEFIT.—In the case of
4 any eligible property with respect to which credit is al-
5 lowed under subsection (a)—

6 “(1) no other credit or deduction shall be al-
7 lowed for, or by reason of, such property to the ex-
8 tent of the amount of such credit, and

9 “(2) the basis of such property shall be reduced
10 by the amount of such credit.

11 “(f) REGULATIONS AND GUIDANCE.—The Secretary
12 shall issue such regulations or other guidance as the Sec-
13 retary determines necessary to carry out the purposes of
14 this section, including regulations or other guidance which
15 provides for requirements for recordkeeping or informa-
16 tion reporting for purposes of administering the require-
17 ments of this section.

18 “(g) DEFINITIONS.—For purposes of this section—

19 “(1) QUALIFIED RECYCLING PROPERTY.—The
20 term ‘qualified recycling property’ has the meaning
21 given the term ‘reuse and recycling property’ in sec-
22 tion 168(m)(3)(A).

23 “(2) QUALIFIED REUSE AND RECYCLABLE MA-
24 TERIALS.—The term ‘qualified reuse and recyclable
25 materials’ has the meaning given such term in sec-

1 tion 168(m)(3)(B), except that for purposes of this
2 section such term includes any video display device
3 and any computer device (including computer pe-
4 ripherals, such as keyboards, mice, speakers, cables,
5 printers, and scanners).

6 “(3) RECYCLE.—The term ‘recycle’ has the
7 meaning given such term in section 168(m)(3)(C),
8 except that for purposes of this section such term
9 does not include—

10 “(A) any method of sorting, processing,
11 and aggregating materials from solid waste
12 that—

13 “(i) does not preserve the original
14 quality of such materials, and

15 “(ii) results in the aggregated mate-
16 rial not being usable—

17 “(I) for the initial purpose (or a
18 substantially similar purpose) of such
19 materials, or

20 “(II) as feedstock in lieu of vir-
21 gin feedstock in the production of
22 specification grade commodities, or

23 “(B) the primary use of waste or qualified
24 reuse and recyclable materials—

25 “(i) as a fuel or fuel substitute;

1 “(ii) for the production or generation
2 of energy (including heat and electricity);
3 “(iii) for incineration;
4 “(iv) for alternate operating cover; or
5 “(v) within the footprint of a land-
6 fill.”.

7 (b) CREDIT MADE PART OF INVESTMENT CREDIT.—
8 Section 46, as amended by the preceding provisions of this
9 Act, is amended by striking “and” at the end of paragraph
10 (10), by striking the period at the end of paragraph (11)
11 and inserting “, and”, and by adding at the end the fol-
12 lowing new paragraph:

13 “(12) the recycling property investment cred-
14 it.”.

15 (c) CLERICAL AMENDMENT.—The table of sections
16 for subpart E of part IV of subchapter A of chapter 1,
17 as amended by the preceding provisions of this Act, is
18 amended by inserting after the item relating to section 48I
19 the following new item:

 “48J. Recycling property investment credit.”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to—

22 (1) in the case of property described in section
23 48J(b)(2)(C)(i) of the Internal Revenue Code of
24 1986 (as added by subsection (a)), property which is

1 constructed, reconstructed, added, or erected after
2 December 31, 2025, and

3 (2) in any other case, property which is placed
4 in service after December 31, 2025.

5 **SEC. 24003. EXCLUSION OF AMOUNTS RECEIVED FROM**
6 **STATE-BASED CATASTROPHE LOSS MITIGA-**
7 **TION PROGRAMS.**

8 (a) IN GENERAL.—Section 139 is amended by redес-
9 ignating subsection (h) as subsection (i) and by inserting
10 after subsection (g) the following new subsection:

11 “(h) STATE-BASED CATASTROPHE LOSS MITIGATION
12 PROGRAMS.—

13 “(1) IN GENERAL.—Gross income shall not in-
14 clude any amount received by an individual as a
15 qualified catastrophe loss mitigation payment under
16 a program established or administered by a State, or
17 a political subdivision or instrumentality thereof, for
18 the purpose of making such payments.

19 “(2) QUALIFIED CATASTROPHE LOSS MITIGA-
20 TION PAYMENT.—For purposes of this section, the
21 term ‘qualified catastrophe loss mitigation payment’
22 means any amount which is received by an indi-
23 vidual to make improvements to such individual’s
24 residence for the sole purpose of hazard mitigation
25 with respect to such residence.

1 **“SEC. 28. DISASTER MITIGATION EXPENDITURES.**

2 “(a) IN GENERAL.—There shall be allowed as a cred-
3 it against the tax imposed by this chapter for the taxable
4 year an amount equal to 30 percent of the expenditures
5 paid for qualifying mitigation activities paid or incurred
6 by the taxpayer during such taxable year with respect to
7 real property owned or leased by the taxpayer.

8 “(b) QUALIFYING MITIGATION ACTIVITIES.—For
9 purposes of this section, the term ‘qualifying mitigation
10 activity’ means an activity relating to a housing unit—

11 “(1) for property to—

12 “(A) improve the strength of a roof deck
13 attachment;

14 “(B) create a secondary water barrier to
15 prevent water intrusion or mitigate against po-
16 tential water intrusion from wind-driven rain;

17 “(C) improve the durability, impact resist-
18 ance (not less than class 3 or 4 rating), or fire
19 resistance (not less than class A rating) of a
20 roof covering;

21 “(D) brace gable-end walls;

22 “(E) reinforce the connection between a
23 roof and supporting wall;

24 “(F) protect openings from penetration by
25 wind-borne debris;

1 “(G) protect exterior doors and garages
2 from natural hazards;

3 “(H) complete measures contained in the
4 publication of the Federal Emergency Manage-
5 ment Agency entitled ‘Wind Retrofit Guide for
6 Residential Buildings’ (P-804);

7 “(I) elevate the qualified dwelling unit, as
8 well as utilities, machinery, or equipment, above
9 the base flood elevation or other applicable min-
10 imum elevation requirement;

11 “(J) seal walls in the basement of the
12 qualified dwelling unit using waterproofing com-
13 pounds; or

14 “(K) protect propane tanks or other exter-
15 nal fuel sources;

16 “(2) to install—

17 “(A) check valves to prevent flood water
18 from backing up into drains;

19 “(B) flood vents, breakaway walls or open
20 lattice for homes located in V zones;

21 “(C) a stormwater drainage system or im-
22 prove an existing system;

23 “(D) natural or nature-based features for
24 flood control, including living shorelines;

1 “(E) roof coverings, sheathing, flashing,
2 roof and attic vents, eaves, or gutters that con-
3 form to ignition-resistant construction stand-
4 ards;

5 “(F) wall components for wall assemblies
6 that conform to ignition-resistant construction
7 standards;

8 “(G) a wall-to-foundation anchor or con-
9 nector, or a shear transfer anchor or connector;

10 “(H) wood structural panel sheathing for
11 strengthening cripple walls;

12 “(I) anchorage of the masonry chimney to
13 the framing;

14 “(J) prefabricated lateral resisting sys-
15 tems;

16 “(K) a standby generator system con-
17 sisting of a standby generator and an automatic
18 transfer switch;

19 “(L) a storm shelter that meets the design
20 and construction standards established by the
21 International Code Council and the National
22 Storm Shelter Association (ICC–500), or a safe
23 room that satisfies the criteria contained in—

24 “(i) the publication of the Federal
25 Emergency Management Agency entitled

1 ‘Safe Rooms for Tornadoes and Hurri-
2 canes’ (P-361); or

3 “(ii) the publication of the Federal
4 Emergency Management Agency entitled
5 ‘Taking Shelter from the Storm’ (P-320);

6 “(M) a lightning protection system;

7 “(N) exterior walls, doors, windows, or
8 other exterior dwelling unit elements that con-
9 form to ignition-resistant construction stand-
10 ards;

11 “(O) exterior deck or fence components
12 that conform to ignition-resistant construction
13 standards;

14 “(P) structure-specific water hydration
15 systems, including fire mitigation systems such
16 as interior sprinkler systems;

17 “(Q) flood openings for fully enclosed
18 areas below the lowest floor of the dwelling
19 unit;

20 “(R) lateral bracing for wall elements,
21 foundation elements, and garage doors or other
22 large openings to resist seismic loads; or

23 “(S) automatic shutoff valves for water
24 and gas lines;

25 “(3) for services or equipment to—

1 “(A) create buffers around the qualified
2 dwelling unit through the removal or reduction
3 of flammable vegetation, including vertical
4 clearance of tree branches;

5 “(B) create buffers around the dwelling
6 unit through—

7 “(i) the removal of exterior deck or
8 fence components or ignition-prone land-
9 scape features; or

10 “(ii) replacement of the components
11 or features described in clause (i) with
12 components or features that conform to ig-
13 nition-resistant construction standards;

14 “(C) perform fire maintenance procedures
15 identified by the Federal Emergency Manage-
16 ment Agency or the United States Forest Serv-
17 ice, including fuel management techniques such
18 as creating fuel and fire breaks; or

19 “(D) replace flammable vegetation with
20 less flammable species;

21 “(4) for property relating to satisfying the
22 standards required for receipt of a FORTIFIED
23 designation from the Insurance Institute for Busi-
24 ness and Home Safety, provided that the qualified

1 dwelling unit receives such designation following in-
2 stallation of such property;

3 “(5) for property relating to satisfying the
4 standards required for receipt of a Wildfire Prepared
5 Homes designation from the Insurance Institute for
6 Business and Home Safety, provided that the quali-
7 fied dwelling unit receives such designation following
8 installation of such property; or

9 “(6) for any other hazard mitigation activity
10 identified by the President, in consultation with the
11 Administrator of the Federal Emergency Manage-
12 ment Agency, for mitigation of a natural hazard.

13 “(c) APPLICATION WITH OTHER CREDITS.—

14 “(1) BUSINESS CREDIT TREATED AS PART OF
15 GENERAL BUSINESS CREDIT.—So much of the credit
16 which would be allowed under subsection (a) for any
17 taxable year (determined without regard to this sub-
18 section) that is attributable to expenditures made in
19 the ordinary course of the taxpayer’s trade or busi-
20 ness (or, in the case of expenditures made by a
21 State, would have been expenditures made in the or-
22 dinary course of the taxpayer’s trade or business if
23 made by the taxpayer) shall be treated as a credit
24 listed in section 38(b) for taxable year (and not al-
25 lowed under subsection (a)).

1 “(2) PERSONAL CREDIT.—For purposes of this
2 title, the credit allowed under subsection (a) for any
3 taxable year (determined after application of para-
4 graph (1)) shall be treated as a credit allowable
5 under subpart A for such taxable year.

6 “(d) REDUCTION OF CREDIT PERCENTAGE WHERE
7 TAXPAYER EXPENDITURES LESS THAN 30 PERCENT.—

8 “(1) IN GENERAL.—If the expenditure percent-
9 age with respect to any item of expenditure de-
10 scribed under subsection (a) is less than 30 percent,
11 subsection (a) shall be applied by substituting ‘the
12 expenditure percentage’ for ‘30 percent’ with respect
13 to such item of expenditure.

14 “(2) EXPENDITURE PERCENTAGE.—For pur-
15 poses of this section, the term ‘expenditure percent-
16 age’ means, with respect to any item of expenditure
17 described under subsection (a) any portion of which
18 is paid or incurred by a State, the ratio (expressed
19 as a percentage) of—

20 “(A) the taxpayer’s expenditure for such
21 item, divided by

22 “(B) the sum of the taxpayer’s and such
23 State’s expenditures for such item.

24 “(e) SPECIAL RULES.—

1 “(1) TREATMENT OF EXPENDITURES RELATED
2 TO MARKETABLE TIMBER.—An expenditure shall not
3 be taken into account for purposes of this section
4 (whether made by the taxpayer or a State) if such
5 expenditure is properly allocable to timber which is
6 sold or exchanged by the taxpayer. The preceding
7 sentence shall not apply to the extent that such
8 amount exceeds the gain on such sale or exchange.

9 “(2) TREATMENT OF REIMBURSEMENTS.—Any
10 amount originally paid or incurred by the taxpayer
11 which is reimbursed by a State under a qualified
12 State disaster mitigation program shall be treated as
13 paid by such State (and not by such taxpayer).

14 “(3) BASIS REDUCTION.—For purposes of this
15 subtitle, if the basis of any property would (but for
16 this paragraph) be determined by taking into ac-
17 count any expenditure described under subsection
18 (a), the basis of such property shall be reduced by
19 the amount of the credit allowed under subsection
20 (a) with respect to such expenditure (determined
21 without regard to subsection (c)).

22 “(4) DENIAL OF DOUBLE BENEFIT.—The
23 amount of any deduction or other credit allowable
24 under this chapter for any expenditure for which a
25 credit is allowable under subsection (a) shall be re-

1 duced by the amount of credit allowed under such
2 subsection for such expenditure (determined without
3 regard to subsection (c)).”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 38(b), as amended by the preceding
6 provisions of this Act, is amended by striking “plus”
7 at the end of paragraph (42), by striking the period
8 at the end of paragraph (43) and inserting “, plus”,
9 and by adding at the end the following new para-
10 graph:

11 “(44) the portion of the disaster mitigation ex-
12 penditures credit to which section 28(e)(1) applies.”.

13 (2) Section 1016(a), as amended by the pre-
14 ceding provisions of this Act, is amended by striking
15 “and” at the end of paragraph (39), by striking the
16 period at the end of paragraph (40) and inserting “,
17 and”, and by adding at the end the following new
18 paragraph:

19 “(41) to the extent provided in section
20 28(e)(2).”.

21 (3) The table of sections for subpart B of part
22 IV of subchapter A of chapter 1 is amended by in-
23 serting after the item relating to section 27 the fol-
24 lowing new item:

“Sec. 28. Qualified disaster mitigation expenditures.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to expenditures paid or incurred
3 after the date of the enactment of this Act, in taxable
4 years ending after such date.

5 **SEC. 24006. ESTABLISHMENT OF ELECTRIC POWER TRANS-**
6 **MISSION LINE CREDIT.**

7 (a) IN GENERAL.—Subpart E of part IV of sub-
8 chapter A of chapter 1, as amended by the preceding pro-
9 visions of this Act, is amended by inserting after section
10 48F the following new section:

11 **“SEC. 48G. QUALIFYING ELECTRIC POWER TRANSMISSION**
12 **LINE CREDIT.**

13 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
14 tion 46, the qualifying electric power transmission line
15 credit for any taxable year is an amount equal to 30 per-
16 cent of the qualified investment for such taxable year with
17 respect to any qualifying electric power transmission line
18 property of the taxpayer.

19 “(b) QUALIFYING INVESTMENT.—

20 “(1) IN GENERAL.—For purposes of subsection
21 (a), the qualified investment for any taxable year is
22 the basis of any qualifying electric power trans-
23 mission line property placed in service by the tax-
24 payer during such taxable year.

1 “(2) CERTAIN QUALIFIED PROGRESS EXPENDI-
2 TURES RULES MADE APPLICABLE.—Rules similar to
3 the rules of subsections (c)(4) and (d) of section 46
4 (as in effect on the day before the enactment of the
5 Revenue Reconciliation Act of 1990) shall apply for
6 purposes of this section.

7 “(c) QUALIFYING ELECTRIC POWER TRANSMISSION
8 LINE PROPERTY.—For purposes of this section—

9 “(1) IN GENERAL.—The term ‘qualifying elec-
10 tric power transmission line property’ means any
11 overhead, submarine, or underground property—

12 “(A) which is a qualifying electric power
13 transmission line that transmits electricity—

14 “(i) across not less than 2 States or
15 not less than 150 continuous miles, or

16 “(ii) across the Outer Continental
17 Shelf (as defined in section 2 of the Outer
18 Continental Lands Act (43 U.S.C. 1331)),
19 or

20 “(B) which is related transmission prop-
21 erty.

22 “(2) PREVAILING WAGE AND APPRENTICESHIP
23 REQUIREMENTS.—Such term shall not include any
24 property unless such property meets the require-
25 ments of paragraph (7) and (8) of section 45(b).

1 “(d) QUALIFYING ELECTRIC POWER TRANSMISSION
2 LINE.—For purposes of this section—

3 “(1) IN GENERAL.—The term ‘qualifying elec-
4 tric power transmission line’ means any of the fol-
5 lowing:

6 “(A) NEW TRANSMISSION PROPERTY.—

7 “(i) IN GENERAL.—Any electric power
8 transmission line which is—

9 “(I) originally placed in service
10 after the date of enactment of this
11 section,

12 “(II) primarily used for one or
13 more purposes described in clause (ii),
14 and

15 “(III) described in clause (iv).

16 “(ii) PURPOSES DESCRIBED.—The
17 purposes described in this clause are—

18 “(I) enhancing resilience to pre-
19 pare for, withstand, and recover rap-
20 idly from disruptions from the impact
21 of weather events, wildfires, or natural
22 disasters,

23 “(II) addressing clearance con-
24 cerns,

1 “(III) facilitating the inter-
2 connection of electric generation ca-
3 pacity to the bulk-power system (as
4 defined in section 215 of the Federal
5 Power Act), or

6 “(IV) addressing high load needs
7 of 2,000 ampere and above.

8 “(iii) MULTIPLE TRANSMISSION LINES
9 LOCATED IN THE SAME RIGHT-OF-WAY.—A
10 transmission line is described in this clause
11 if such a transmission line—

12 “(I) is co-located in the same
13 right-of-way or adjacent right-of-way
14 as one or more other overhead, sub-
15 marine, or underground transmission
16 lines, and

17 “(II) together with the other
18 transmission lines described in sub-
19 clause (I), has a transmission capacity
20 of not less than 1,000 megawatts.

21 “(iv) ADDITIONAL REQUIREMENTS
22 FOR NEW TRANSMISSION PROPERTY.—An
23 electric power transmission line is de-
24 scribed in this clause if—

25 “(I) such transmission line—

1 “(aa) includes an advanced
2 transmission conductor, and

3 “(bb) is capable of transmit-
4 ting electricity at a voltage of not
5 less than 100 kilovolts, or

6 “(II) such transmission line—

7 “(aa) is—

8 “(AA) capable of trans-
9 mitting electricity at a volt-
10 age of not less than 345
11 kilovolts, or

12 “(BB) a super-
13 conducting transmission
14 line, and

15 “(bb) has a transmission ca-
16 pacity of not less than 750
17 megawatts or is a transmission
18 line described in clause (iii).

19 “(B) MODIFICATION OF EXISTING TRANS-
20 MISSION PROPERTY.—Any electric power trans-
21 mission line which—

22 “(i) was placed in service before the
23 date of the enactment of this section,

24 “(ii) is modified after the date of the
25 enactment of this Act in a manner that in-

1 creases the transmission capacity of such
2 transmission line by not less than 500
3 megawatts, and

4 “(iii) after the completion of such
5 modification, is an electric power trans-
6 mission line which satisfies the require-
7 ments under subclauses (II) and (III) of
8 subparagraph (A)(i).

9 “(2) ADVANCED TRANSMISSION CONDUCTOR.—

10 The term ‘advanced transmission conductor’ means
11 a transmission conductor technology that uses re-
12 cently developed technology or materials such as a
13 composite core and such other future advances as
14 determined by the Secretary, in consultation with
15 the Secretary of Energy.

16 “(3) SUPERCONDUCTING TRANSMISSION
17 LINE.—The term ‘superconducting transmission line’
18 means a transmission line that conducts all of its
19 current over a super-conducting material.

20 “(e) RELATED TRANSMISSION PROPERTY.—For pur-
21 poses of this section—

22 “(1) IN GENERAL.—The term ‘related trans-
23 mission property’ means any of the following:

1 “(A) TRANSMISSION PROPERTY USED FOR
2 INTERCONNECTION OR GENERATOR TIE-LINE.—

3 Any electric power transmission line which is—

4 “(i) placed in service after the date of
5 enactment of this section,

6 “(ii) primarily used—

7 “(I) as a generator interconnec-
8 tion tie line at an associated facility
9 that extends from the secondary
10 (high) side of a generator step-up
11 transformer to the point of inter-
12 connection with the host transmission
13 owner from interconnecting new gen-
14 eration resources or facilities to the
15 electric grid, or

16 “(II) for network upgrades asso-
17 ciated with the interconnection of new
18 generation resources or facilities to
19 the electric grid,

20 “(iii) primarily used for one or more
21 purposes described in subparagraph
22 (d)(1)(A)(ii), and

23 “(iv) capable of transmitting elec-
24 tricity at a voltage of not less than 230
25 kilovolts.

1 “(B) GRID ENHANCING TECHNOLOGY.—
2 Any grid enhancing technology property used in
3 the operation of the electric power transmission
4 line described in subparagraph (A) or (B) of
5 subsection (d)(1).

6 “(C) SUBCOMPONENTS.—Any conductors
7 or cables, towers, insulators, reactors, capaci-
8 tors, circuit breakers, static VAR compensators,
9 static synchronous compensators, power con-
10 verters, transformers, synchronous condensers,
11 braking resistors, and any ancillary facilities
12 and equipment necessary for the proper oper-
13 ation of the electric transmission line described
14 in subparagraph (A) or (B) of subsection (d)(1)
15 or for the proper operation of any property de-
16 scribed in subsection (1)(A).

17 “(2) GRID ENHANCING TECHNOLOGY PROP-
18 ERTY.—The term ‘grid enhancing technology prop-
19 erty’ means power flow controls and transmission
20 switching equipment, storage technology, and hard-
21 ware or software that enables dynamic line ratings,
22 advanced line rating management technologies, on
23 new or existing transmission property for the pur-
24 pose of enhancing the capacity, efficiency, resiliency,
25 or reliability of an electric power transmission sys-

1 tem and such other similar property determined by
2 the Secretary, in consultation with the Secretary of
3 Energy.

4 “(f) TERMINATION.—This section shall not apply to
5 any property the construction of which begins after De-
6 cember 31, 2033.”.

7 (b) PUBLIC UTILITY PROPERTY.—Paragraph (2) of
8 section 50(d) is amended—

9 (1) by striking “(as defined in section
10 48(c)(6))” and inserting “(as defined in section
11 48(c)(6), except that subparagraph (D) of such sec-
12 tion shall not apply) or any qualifying electric power
13 transmission line property (as defined by section
14 48G(c))”, and

15 (2) in subparagraph (B)—

16 (A) by inserting “or qualifying electric
17 transmission line property” after “each energy
18 storage technology”, and

19 (B) by inserting “or the qualifying electric
20 transmission line property” after “the energy
21 storage technology”.

22 (c) TRANSFER OF CERTAIN CREDITS.—Section
23 6418(f)(1)(A), as amended by the preceding provisions of
24 this Act, is amended by adding the following new clause:

1 “(xiv) The qualifying electric power
2 transmission line credit under section
3 48G.”.

4 (d) CONFORMING AMENDMENTS.—

5 (1) Section 46, as amended by the preceding
6 provisions of this Act, is amended—

7 (A) by striking “and” at the end of para-
8 graph (7),

9 (B) by striking the period at the end of
10 paragraph (8) and inserting “, and”, and

11 (C) by adding at the end the following new
12 paragraph:

13 “(9) the qualifying electric power transmission
14 line credit.”.

15 (2) Section 49(a)(1)(C), as amended by the pre-
16 ceding provisions of this Act, is amended—

17 (A) by striking “and” at the end of clause
18 (viii),

19 (B) by striking the period at the end of
20 clause (ix) and inserting “, and”, and

21 (C) by adding at the end the following new
22 clause:

23 “(x) the basis of any qualifying elec-
24 tric power transmission line property under
25 section 48G.”.

1 taxpayer during such taxable year which is part of
2 a qualifying advanced battery project.

3 “(2) CERTAIN QUALIFIED PROGRESS EXPENDI-
4 TURES RULES MADE APPLICABLE.—Rules similar to
5 the rules of subsections (c)(4) and (d) of section 46
6 (as in effect on the day before the enactment of the
7 Revenue Reconciliation Act of 1990) shall apply for
8 purposes of this section.

9 “(3) LIMITATION.—The amount which is treat-
10 ed as the qualified investment for all taxable years
11 with respect to any qualifying advanced battery
12 project shall not exceed the amount designated by
13 the Secretary as eligible for the credit under this
14 section.

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

16 “(1) QUALIFYING ADVANCED BATTERY
17 PROJECT.—The term ‘qualifying advanced battery
18 project’ means a project, any portion of the qualified
19 investment of which is certified by the Secretary
20 under subsection (e) as eligible for a credit under
21 this section, which re-equips, expands, or establishes
22 a qualified advanced battery manufacturing and re-
23 search facility.

24 “(2) QUALIFIED ADVANCED BATTERY MANU-
25 FACTURING AND RESEARCH FACILITY.—The term

1 ‘qualified advanced battery manufacturing or re-
2 search facility’—

3 “(A) means a facility—

4 “(i) located within the United States,
5 and

6 “(ii) primarily used for the production
7 or research and development of batteries or
8 battery components employing advanced
9 chemistries or technologies that improve
10 battery performance, fire safety, and lon-
11 gevity, including—

12 “(I) solid-state lithium metal bat-
13 teries,

14 “(II) lithium-sulfur batteries,

15 “(III) metal-air batteries,

16 “(IV) sodium-ion batteries, and

17 “(V) such other chemistries or
18 technologies as the Secretary, after
19 consultation with the Secretary of En-
20 ergy, determines to offer significant
21 advancements over traditional lithium-
22 ion technology with respect to per-
23 formance or fire safety, and

24 “(B) does not include facilities which
25 produce only traditional lithium-ion batteries

1 without incorporating advanced chemistries or
2 technologies described in subparagraph (A)(ii).

3 “(d) QUALIFYING ADVANCED BATTERY PROJECT
4 PROGRAM.—

5 “(1) ESTABLISHMENT.—

6 “(A) IN GENERAL.—Not later than 180
7 days after the date of enactment of this section,
8 the Secretary, in consultation with the Sec-
9 retary of Energy, shall establish a qualifying
10 advanced battery project program to consider
11 and award certifications for qualified invest-
12 ments eligible for credits under this section to
13 qualifying advanced battery project sponsors.

14 “(B) LIMITATION.—The total amount of
15 credits that may be allocated under the pro-
16 gram shall not exceed \$3,000,000,000.

17 “(2) CERTIFICATION.—

18 “(A) APPLICATION PERIOD.—Each appli-
19 cant for certification under this paragraph shall
20 submit an application containing such informa-
21 tion as the Secretary may require during the 2-
22 year period beginning on the date the Secretary
23 establishes the program under paragraph (1).

24 “(B) TIME TO MEET CRITERIA FOR CER-
25 TIFICATION.—Each applicant for certification

1 shall have 1 year from the date of acceptance
2 by the Secretary of the application during
3 which to provide to the Secretary evidence that
4 the requirements of the certification have been
5 met.

6 “(C) PERIOD OF ISSUANCE.—An applicant
7 which receives a certification shall have 3 years
8 from the date of issuance of the certification in
9 order to place the project in service and if such
10 project is not placed in service by that time pe-
11 riod, then the certification shall no longer be
12 valid.

13 “(3) SELECTION CRITERIA.—Rules similar to
14 the rules of section 48C(d)(3) shall apply.

15 “(4) REVIEW AND REDISTRIBUTION.—

16 “(A) REVIEW.—Not later than 4 years
17 after the date of enactment of this section, the
18 Secretary shall review the credits allocated
19 under this section as of such date.

20 “(B) REDISTRIBUTION.—The Secretary
21 may reallocate credits awarded under this sec-
22 tion if the Secretary determines that—

23 “(i) there is an insufficient quantity
24 of qualifying applications for certification
25 pending at the time of the review, or

1 “(ii) any certification made pursuant
2 to paragraph (2) has been revoked pursu-
3 ant to paragraph (2)(B) because the
4 project subject to the certification has been
5 delayed as a result of third party opposi-
6 tion or litigation to the proposed project.

7 “(C) REALLOCATION.—If the Secretary de-
8 termines that credits under this section are
9 available for reallocation pursuant to the re-
10 quirements set forth in paragraph (2), the Sec-
11 retary is authorized to conduct an additional
12 program for applications for certification.

13 “(5) DISCLOSURE OF ALLOCATIONS.—The Sec-
14 retary shall, upon making an allocation under this
15 subsection, publicly disclose the identity of the appli-
16 cant and the amount of the credit with respect to
17 such applicant.

18 “(e) DENIAL OF DOUBLE BENEFIT.—No credit shall
19 be allowed under this section for any qualified investment
20 for which a credit is allowed under another provision of
21 this title.

22 “(f) REGULATIONS AND GUIDANCE.—The Secretary,
23 after consultation with the Secretary of Energy, shall issue
24 such regulations and guidance as necessary to implement
25 this section, including the publication of an annual list of

1 advanced chemistries or technologies under subsection
2 (c)(2).”.

3 (b) CREDIT ELIGIBLE FOR ELECTIVE PAYMENT.—

4 Section 6417(b) is amended by adding at the end the fol-
5 lowing new paragraph:

6 “(13) The qualifying advanced battery project
7 credit determined under section 48H.”.

8 (c) CREDIT TRANSFERABLE.—Section 6418(f)(1)(A),
9 as amended by the preceding provisions of this Act, is
10 amended by adding at the end the following new clause:

11 “(xv) The qualifying advanced battery
12 project credit determined under section
13 48H.”.

14 (d) CONFORMING AMENDMENTS.—

15 (1) Section 46, as amended by the preceding
16 provisions of this Act, is amended by striking “and”
17 at the end of paragraph (8), by striking the period
18 at the end of paragraph (9) and inserting “, and”,
19 and by adding at the end the following new para-
20 graph:

21 “(10) the qualifying advanced battery project
22 credit.”.

23 (2) Section 49(a)(1)(C), as amended by the pre-
24 ceding provisions of this Act, is amended by striking
25 “and” at the end of clause (ix), by striking the pe-

1 riod at the end of clause (x) and inserting “, and”,
2 and by adding at the end the following new clause:

3 “(xi) the basis of any property which
4 is part of a qualified advanced battery
5 manufacturing or research facility under
6 section 48H.”.

7 (3) Section 50(a)(2)(E), as amended by the
8 preceding provisions of this Act, is amended by
9 striking “or 48F(f)” and inserting “48F(f), or
10 48H(c)(5)”.

11 (4) The table of sections for subpart E of part
12 IV of subchapter A of chapter 1, as amended by the
13 preceding provisions of this Act, is amended by in-
14 sserting after the item relating to section 48G the fol-
15 lowing new item:

 “Sec. 48H..Qualifying advanced battery project credit.”.

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

1 **TITLE III—CHILD AND**
2 **DEPENDENT CARE**
3 **Subtitle A—Child Tax Credit**

4 **SEC. 31001. ESTABLISHMENT OF REFUNDABLE CHILD TAX**
5 **CREDIT WITH MONTHLY ADVANCE PAYMENT.**

6 (a) IN GENERAL.—Subpart A of part IV of sub-
7 chapter A of chapter 1 is amended by inserting after sec-
8 tion 24 the following new sections:

9 **“SEC. 24A. MONTHLY CHILD TAX CREDIT.**

10 “(a) ALLOWANCE OF CREDIT.—There shall be al-
11 lowed as a credit against the tax imposed by this chapter
12 for the taxable year the sum of the monthly specified child
13 allowances determined with respect to the taxpayer under
14 subsection (b) for each calendar month during such tax-
15 able year.

16 “(b) MONTHLY SPECIFIED CHILD ALLOWANCE.—

17 “(1) IN GENERAL.—For purposes of this sec-
18 tion, the term ‘monthly specified child allowance’
19 means, with respect to any taxpayer for any cal-
20 endar month, the sum of—

21 “(A) \$300, with respect to each specified
22 child of such taxpayer who will (as of the close
23 of such month) have attained age 6, plus

24 “(B) 120 percent of the dollar amount in
25 effect for such month under subparagraph (A),

1 with respect to each specified child of such tax-
2 payer who will not (as of the close of such
3 month) have attained age 6.

4 In the case of any specified child of such taxpayer
5 who will not (as of the close of such month) have at-
6 tained the age of 1 month, subparagraph (B) shall
7 be applied by substituting ‘800 percent’ for ‘120
8 percent’.

9 “(2) LIMITATIONS BASED ON MODIFIED AD-
10 JUSTED GROSS INCOME.—

11 “(A) INITIAL REDUCTION.—The monthly
12 specified child allowance otherwise determined
13 under paragraph (1) with respect to any tax-
14 payer for any calendar month shall be reduced
15 (but not below zero) by $\frac{1}{12}$ of 5 percent of the
16 excess (if any) of the taxpayer’s modified ad-
17 justed gross income for the applicable taxable
18 year over the initial threshold amount in effect
19 for such applicable taxable year.

20 “(B) LIMITATION ON INITIAL REDUC-
21 TION.—The amount of the reduction under sub-
22 paragraph (A) shall not exceed the lesser of—

23 “(i) the excess (if any) of—

24 “(I) the monthly specified child
25 allowance with respect to the taxpayer

1 for such calendar month (determined
2 without regard to this paragraph),
3 over

4 “(II) the amount which would be
5 determined under subclause (I) if the
6 dollar amounts in effect under sub-
7 paragraphs (A) and (B) of paragraph
8 (1) were each equal to \$166.67, or

9 “(ii) $\frac{1}{12}$ of 5 percent of the excess of
10 the secondary threshold amount over the
11 initial threshold amount.

12 “(C) SECONDARY REDUCTION.—The
13 monthly specified child allowance otherwise de-
14 termined under paragraph (1) with respect to
15 any taxpayer for such calendar month (deter-
16 mined after the application of subparagraphs
17 (A) and (B)) shall be reduced (but not below
18 zero) by $\frac{1}{12}$ of 5 percent of the excess (if any)
19 of the taxpayer’s modified adjusted gross in-
20 come for the applicable taxable year over the
21 secondary threshold amount.

22 “(D) DEFINITIONS RELATED TO LIMITA-
23 TIONS BASED ON MODIFIED ADJUSTED GROSS
24 INCOME.—For purposes of this paragraph—

1 “(i) INITIAL THRESHOLD AMOUNT.—

2 The term ‘initial threshold amount’
3 means—

4 “(I) \$150,000, in the case of a
5 joint return or surviving spouse (as
6 defined in section 2(a)),

7 “(II) ½ the dollar amount in ef-
8 fect under subclause (I), in the case of
9 a married individual filing a separate
10 return, and

11 “(III) \$112,500, in any other
12 case.

13 “(ii) SECONDARY THRESHOLD
14 AMOUNT.—The term ‘secondary threshold
15 amount’ means—

16 “(I) \$400,000, in the case of a
17 joint return or surviving spouse (as
18 defined in section 2(a)),

19 “(II) \$200,000, in the case of a
20 married individual filing a separate
21 return, and

22 “(III) \$300,000, in any other
23 case.

24 “(iii) APPLICABLE TAXABLE YEAR.—

25 The term ‘applicable taxable year’ means,

1 with respect to any taxable year for which
2 the credit under this section is deter-
3 mined—

4 “(I) such taxable year, or

5 “(II) if the taxpayer elects the
6 application of this subclause (at such
7 time and in such form and manner as
8 the Secretary may provide), the pre-
9 ceding taxable year or the second pre-
10 ceding taxable year (as specified in
11 such election).

12 “(iv) MODIFIED ADJUSTED GROSS IN-
13 COME.—The term ‘modified adjusted gross
14 income’ means adjusted gross income in-
15 creased by any amount excluded from
16 gross income under section 911, 931, or
17 933.

18 “(3) INFLATION ADJUSTMENTS.—

19 “(A) MONTHLY SPECIFIED CHILD ALLOW-
20 ANCE.—In the case of any month beginning
21 after December 31, 2026, the \$300 amount in
22 paragraph (1)(A) shall be increased by an
23 amount equal to—

24 “(i) such dollar amount, multiplied
25 by—

1 “(ii) the percentage (if any) by
2 which—

3 “(I) the CPI (as defined in sec-
4 tion 1(f)(4)) for the calendar year
5 preceding the calendar year in which
6 such month begins, exceeds

7 “(II) the CPI (as so defined) for
8 calendar year 2025.

9 “(B) INITIAL THRESHOLD AMOUNT.—In
10 the case of any taxable year beginning after De-
11 cember 31, 2025, the dollar amounts in sub-
12 clauses (I) and (III) of paragraph (2)(D)(i)
13 shall each be increased by an amount equal
14 to—

15 “(i) such dollar amount, multiplied by

16 “(ii) the percentage (if any) which
17 would be determined under subparagraph
18 (A)(ii) if subclause (II) thereof were ap-
19 plied by substituting ‘2022’ for ‘2024’.

20 “(C) ROUNDING.—

21 “(i) MONTHLY SPECIFIED CHILD AL-
22 LOWANCE.—Any increase under subpara-
23 graph (A) which is not a multiple of \$10
24 shall be rounded to the nearest multiple of
25 \$10.

1 “(ii) INITIAL THRESHOLD AMOUNT.—

2 Any increase under subparagraph (B)

3 which is not a multiple of \$5,000 shall be

4 rounded to the nearest multiple of \$5,000.

5 “(c) SPECIFIED CHILD.—For purposes of this sec-
6 tion—

7 “(1) IN GENERAL.—The term ‘specified child’
8 means, with respect to any taxpayer for any cal-
9 endar month, an individual—

10 “(A) who has the same principal place of
11 abode as the taxpayer for more than one-half of
12 such month,

13 “(B) who is younger than the taxpayer and
14 will not, as of the close of such month, have at-
15 tained age 18,

16 “(C) who receives care from the taxpayer
17 during such month that is not compensated,

18 “(D) who is not the spouse of the taxpayer
19 at any time during such month, and

20 “(E) who either—

21 “(i) is a citizen, national, or resident
22 of the United States, or

23 “(ii) if the taxpayer is a citizen or na-
24 tional of the United States, such individual
25 is a legally adopted individual of such tax-

1 payer or is lawfully placed with such tax-
2 payer for legal adoption by such taxpayer.

3 “(2) CERTAIN INDIVIDUALS INELIGIBLE.—In
4 the case of an individual who is a specified child
5 with respect to another taxpayer for any calendar
6 month, such individual shall be treated for such cal-
7 endar month as having no specified children.

8 “(3) CARE FROM THE TAXPAYER.—

9 “(A) IN GENERAL.—Except as otherwise
10 provided by the Secretary, whether any indi-
11 vidual receives care from the taxpayer (within
12 the meaning of paragraph (1)(C)) shall be de-
13 termined on the basis of facts and cir-
14 cumstances with respect to the following fac-
15 tors:

16 “(i) The supervision provided by the
17 taxpayer regarding the daily activities and
18 needs of the individual.

19 “(ii) The maintenance by the taxpayer
20 of a secure environment at which the indi-
21 vidual resides.

22 “(iii) The provision or arrangement by
23 the taxpayer of, and transportation by the
24 taxpayer to, medical care at regular inter-
25 vals and as required for the individual.

1 “(iv) The involvement by the taxpayer
2 in, and financial and other support by the
3 taxpayer for, educational or similar activi-
4 ties of the individual.

5 “(v) Any other factor that the Sec-
6 retary determines to be appropriate to de-
7 termine whether the individual receives
8 care from the taxpayer.

9 “(B) DETERMINATION OF WHETHER CARE
10 IS COMPENSATED.—For purposes of deter-
11 mining if care is compensated within the mean-
12 ing of paragraph (1)(C), compensation from the
13 Federal Government, a State or local govern-
14 ment, a Tribal government, or any possession of
15 the United States shall not be taken into ac-
16 count.

17 “(4) APPLICATION OF TIE-BREAKER RULES.—

18 “(A) IN GENERAL.—Except as provided in
19 subparagraph (D), if any individual would (but
20 for this paragraph) be a specified child of 2 or
21 more taxpayers for any month, such individual
22 shall be treated as the specified child only of
23 the taxpayer who is—

24 “(i) the parent of the individual (or, if
25 such individual would (but for this para-

1 graph) be a specified child of 2 or more
2 parents of the individual for such month,
3 the parent of the individual determined
4 under subparagraph (B)),

5 “(ii) if the individual is not a specified
6 child of any parent of the individual (deter-
7 mined without regard to this paragraph),
8 the specified relative of the individual with
9 the highest adjusted gross income for the
10 taxable year which includes such month, or

11 “(iii) if the individual is neither a
12 specified child of any parent of the indi-
13 vidual nor a specified child of any specified
14 relative of the individual (in both cases de-
15 termined without regard to this para-
16 graph), the taxpayer with the highest ad-
17 justed gross income for the taxable year
18 which includes such month.

19 “(B) TIE-BREAKER AMONG PARENTS.—If
20 any individual would (but for this paragraph)
21 be the specified child of 2 or more parents of
22 the individual for any month, such child shall
23 be treated only as the specified child of—

1 “(i) the parent with whom the child
2 resided for the longest period of time dur-
3 ing such month, or

4 “(ii) if the child resides with both par-
5 ents for the same amount of time during
6 such month, the parent with the highest
7 adjusted gross income for the taxable year
8 which includes such month.

9 “(C) SPECIFIED RELATIVE.—For purposes
10 of this paragraph, the term ‘specified relative’
11 means an individual who is—

12 “(i) an ancestor of a parent of the
13 specified child,

14 “(ii) a brother or sister of a parent of
15 the specified child, or

16 “(iii) a brother, sister, stepbrother, or
17 stepsister of the specified child.

18 “(D) CERTAIN PARENTS OR SPECIFIED
19 RELATIVES NOT TAKEN INTO ACCOUNT.—This
20 paragraph shall be applied without regard to
21 any parent or specified relative of an individual
22 for any month if—

23 “(i) such parent or specified relative
24 elects to have such individual not be treat-

1 ed as a specified child of such parent or
2 specified relative for such month,

3 “(ii) in the case of a parent of such
4 individual, the adjusted gross income of
5 the taxpayer (with respect to whom such
6 individual would be treated as a specified
7 child after application of this subpara-
8 graph) for the taxable year which includes
9 such month is higher than the highest ad-
10 justed gross income of any parent of the
11 individual for any taxable year which in-
12 cludes such month (determined without re-
13 gard to any parent with respect to whom
14 such individual is not a specified child, de-
15 termined without regard to subparagraphs
16 (A) and (B) and after application of this
17 subparagraph), and

18 “(iii) in the case of a specified relative
19 of such individual, the adjusted gross in-
20 come of the taxpayer (with respect to
21 whom such individual would be treated as
22 a specified child after application of this
23 subparagraph) for the taxable year which
24 includes such month is higher than the
25 highest adjusted gross income of any par-

1 ent and any specified relative of the indi-
2 vidual for any taxable year which includes
3 such month (determined without regard to
4 any parent and any specified relative with
5 respect to whom such individual is not a
6 specified child, determined without regard
7 to subparagraphs (A) and (B) and after
8 application of this subparagraph).

9 “(E) TREATMENT OF JOINT RETURNS.—

10 For purposes of this paragraph, with respect to
11 any month, the adjusted gross income of each
12 person who files a joint return for the taxable
13 year which includes such month is the total ad-
14 justed gross income shown on the joint return
15 for the taxable year.

16 “(F) PARENT.—Except as otherwise pro-
17 vided by the Secretary, the term ‘parent’ shall
18 have the same meaning as when used in section
19 152(c)(4).

20 “(5) TREATMENT OF TEMPORARY ABSENCES.—

21 Except as provided in regulations or other guidance
22 issued by the Secretary, for purposes of this sub-
23 section—

24 “(A) IN GENERAL.—In the case of any in-
25 dividual’s temporary absence from such individ-

1 ual’s principal place of abode, each day com-
2 posing the temporary absence shall—

3 “(i) be treated as a day at such indi-
4 vidual’s principal place of abode,

5 “(ii) be treated as satisfying the care
6 requirement described in paragraph (1)(C)
7 for each day described in clause (i), and

8 “(iii) not be treated as a day at any
9 other location.

10 “(B) TEMPORARY ABSENCE.—For pur-
11 poses of subparagraph (A), an absence shall be
12 treated as temporary if—

13 “(i) the individual would have resided
14 at the place of abode but for the absence,
15 and

16 “(ii) under the facts and cir-
17 cumstances, it is reasonable to assume that
18 the individual will return to reside at the
19 place of abode.

20 “(6) SPECIAL RULE FOR DIVORCED PARENTS,
21 ETC.—Rules similar to the rules section 152(e) shall
22 apply for purposes of this subsection.

23 “(7) ELIGIBILITY DETERMINED ON BASIS OF
24 PRESUMPTIVE ELIGIBILITY.—

1 “(A) IN GENERAL.—If a period of pre-
2 sumptive eligibility is established under section
3 7527A(c) with respect to any taxpayer and
4 child—

5 “(i) such child shall be treated as the
6 specified child of such taxpayer for any
7 month in such period of presumptive eligi-
8 bility, and

9 “(ii) such child shall not be treated as
10 the specified child of any other taxpayer
11 with respect to whom a period of presump-
12 tive eligibility has not been established for
13 any such month.

14 “(B) ABILITY OF CREDIT CLAIMANTS TO
15 ESTABLISH PRESUMPTIVE ELIGIBILITY.—Noth-
16 ing in section 7527A(c) shall be interpreted to
17 preclude a taxpayer from establishing a period
18 of presumptive eligibility (including any period
19 described in subparagraph (D) with respect to
20 which payment could be made) with respect to
21 any specified child for purposes of this section
22 solely because such taxpayer affirmatively elects
23 not to receive monthly advance child payments
24 under section 7527A.

1 “(C) EXCEPTION FOR INCOME-BASED TIE-
2 BREAKER RULES.—If a period of presumptive
3 eligibility is established under section 7527A(c)
4 for any individual with respect to any taxpayer
5 and such individual is not the specified child of
6 such taxpayer for any month in such period by
7 reason of such taxpayer failing to be described
8 in clause (i), (ii), or (iii) of paragraph (4)(A)
9 for the taxable year which includes such month,
10 subparagraph (A) shall not apply with respect
11 to such month.

12 “(D) TREATMENT OF CERTAIN RETRO-
13 ACTIVE PAYMENTS.—If any payment is made
14 under subparagraph (A) or (B) of section
15 7527A(f)(3) or paragraph (1) or (2) of section
16 7527A(g), with respect to any taxpayer and
17 child for any period, such period shall be treat-
18 ed as a period of presumptive eligibility estab-
19 lished under section 7527A(c) with respect to
20 such taxpayer and child for purposes of apply-
21 ing subparagraph (A).

22 “(E) FRAUD AND INTENTIONAL DIS-
23 REGARD OF RULES OR REGULATIONS.—If the
24 Secretary determines that the taxpayer com-
25 mitted fraud or intentionally disregarded rules

1 or regulations in establishing or maintaining
2 any period of presumptive eligibility, the
3 months with respect to which such fraud or in-
4 tentional disregard relates shall not be treated
5 as a period of presumptive eligibility for pur-
6 poses of subparagraph (A).

7 “(d) CREDIT REFUNDABLE.—If the taxpayer (in the
8 case of a joint return, either spouse) has a principal place
9 of abode (determined as provided in section 32) in the
10 United States or Puerto Rico for more than one-half of
11 any calendar month during the taxable year, so much of
12 the credit otherwise allowed under subsection (a) as is at-
13 tributable to monthly specified child allowances with re-
14 spect to any such calendar month shall be allowed under
15 subpart C (and not allowed under this subpart).

16 “(e) IDENTIFICATION REQUIREMENTS.—

17 “(1) QUALIFYING CHILD IDENTIFICATION RE-
18 QUIREMENT.—No credit shall be allowed under this
19 section to a taxpayer with respect to any qualifying
20 child unless the taxpayer includes the name and tax-
21 payer identification number of such qualifying child
22 on the return of tax for the taxable year and such
23 taxpayer identification number was issued on or be-
24 fore the due date for filing such return.

1 “(2) TAXPAYER IDENTIFICATION REQUIRE-
2 MENT.—No credit shall be allowed under this section
3 if the taxpayer identification number of the taxpayer
4 was issued after the due date for filing the return
5 for the taxable year.

6 “(f) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
7 ERLY CLAIMED CREDIT OR IMPROPERLY RECEIVED
8 MONTHLY ADVANCE CHILD PAYMENT.—

9 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT
10 OR RECKLESS CLAIMS.—

11 “(A) IN GENERAL.—No credit shall be al-
12 lowed under this section for any taxable year
13 (and no payment shall be made under section
14 7527A for any month) in the disallowance pe-
15 riod.

16 “(B) DISALLOWANCE PERIOD.—For pur-
17 poses of subparagraph (A), the disallowance pe-
18 riod is—

19 “(i) the period of 120 calendar
20 months after the most recent calendar
21 month for which there was a final deter-
22 mination that the taxpayer’s claim of cred-
23 it under this section or section 24 (or pay-
24 ment received under section 7527A) was
25 due to fraud, and

1 “(ii) the period of 24 calendar months
2 after the most recent calendar month for
3 which there was a final determination that
4 the taxpayer’s claim of credit under this
5 section or section 24 (or payment received
6 under section 7527A) was due to reckless
7 or intentional disregard of rules and regu-
8 lations (but not due to fraud).

9 “(2) TAXPAYERS MAKING IMPROPER PRIOR
10 CLAIMS.—In the case of a taxpayer who is denied
11 credit under this section or section 24 for any tax-
12 able year as a result of the deficiency procedures
13 under subchapter B of chapter 63, no credit shall be
14 allowed under this section for any subsequent tax-
15 able year (and no payment shall be made under sec-
16 tion 7527A for any subsequent month) unless the
17 taxpayer provides such information as the Secretary
18 may require to demonstrate eligibility for such cred-
19 it.

20 “(3) COORDINATION WITH POSSESSIONS OF
21 THE UNITED STATES.—For purposes of this sub-
22 section, a taxpayer’s claim of credit under this sec-
23 tion or section 24 (or payment received under sec-
24 tion 7527A) includes a claim of credit under this
25 section or section 24 of the income tax law of any

1 jurisdiction other than the United States (or similar
2 payment received under section 7527A of such in-
3 come tax law), and a claim made or a payment re-
4 ceived from American Samoa pursuant to a plan de-
5 scribed in subsection (h)(3)(B) or section
6 24(k)(3)(B).

7 “(g) RECONCILIATION OF CREDIT AND MONTHLY
8 ADVANCE CHILD PAYMENTS.—

9 “(1) IN GENERAL.—The amount otherwise de-
10 termined under subsection (a) with respect to any
11 taxpayer for any taxable year shall be reduced (but
12 not below zero) by the aggregate amount of pay-
13 ments made under section 7527A to such taxpayer
14 for one or more calendar months in such taxable
15 year. Any failure to so reduce the credit shall be
16 treated as arising out of a mathematical or clerical
17 error and assessed according to section 6213(b)(1).

18 “(2) INCREASE IN TAX EQUAL TO EXCESS AD-
19 VANCE PAYMENTS IN CERTAIN CIRCUMSTANCES.—If
20 the aggregate amount of payments made to the tax-
21 payer under section 7527A for one or more calendar
22 months in such taxable year exceeds the amount al-
23 lowed as a credit under subpart C by reason of this
24 section with respect to such taxpayer for such tax-
25 able year (without regard to paragraph (1) of this

1 subsection), the tax imposed by this chapter for such
2 taxable year shall be increased by so much of such
3 excess as is attributable to one or more of the fol-
4 lowing:

5 “(A) Fraud, or reckless or intentional dis-
6 regard of rules and regulations, by the tax-
7 payer.

8 “(B) Changes in the taxpayer’s modified
9 adjusted gross income or filing status that af-
10 fect the application of the limitation imposed by
11 subsection (b)(2).

12 “(C) Payments under section 7527A which
13 were made for months which were not part of
14 a period of presumptive eligibility.

15 “(D) A failure to be the taxpayer described
16 in clause (i), (ii), or (iii) of subsection
17 (e)(4)(A).

18 “(E) A failure to satisfy the requirements
19 of subsection (d).

20 “(F) A failure to satisfy the requirements
21 of paragraphs (1) or (2) of subsection (e), ex-
22 cept that a failure to satisfy the requirements
23 of subsection (e)(1) shall not be taken into ac-
24 count under this subparagraph if the taxpayer
25 demonstrates to the satisfaction of the Sec-

1 retary that it is reasonable to expect that the
2 qualifying child will be issued a taxpayer identi-
3 fication number and that the delay in such
4 issuance was due to reasonable cause and not
5 willful neglect.

6 “(G) Such other circumstances as the Sec-
7 retary identifies for purposes of this subpara-
8 graph to facilitate the administration and en-
9 forcement by the Secretary of section 7527A, to
10 minimize the amount of advance payments
11 made under section 7527A to ineligible individ-
12 uals, and to prevent abuse.

13 “(H) Payments subject to treatment as ex-
14 cess advance payments after notice under sec-
15 tion 7527A(j)(2).

16 “(3) JOINT RETURNS.—Except as otherwise
17 provided by the Secretary, in the case of an advance
18 payment made under section 7527A with respect to
19 a joint return, half of such payment shall be treated
20 as having been made to each individual filing such
21 return.

22 “(4) COORDINATION WITH POSSESSIONS OF
23 THE UNITED STATES.—For purposes of this sub-
24 section, payments made under section 7527A include
25 payments made by any jurisdiction other than the

1 United States under section 7527A of the income
2 tax law of such jurisdiction, and advance payments
3 made by American Samoa pursuant to a plan de-
4 scribed in subsection (h)(3)(B). Any increase in tax
5 imposed on a taxpayer by reason of paragraph (2)
6 of the income tax law of a jurisdiction other than
7 the United States shall be considered to reduce the
8 aggregate amount of payments made to such tax-
9 payer by such jurisdiction. In carrying out this sec-
10 tion, the Secretary shall coordinate with each posses-
11 sion of the United States to prevent any application
12 of this paragraph that is inconsistent with the pur-
13 poses of this subsection.

14 “(h) APPLICATION OF CREDIT IN POSSESSIONS.—

15 “(1) MIRROR CODE POSSESSIONS.—

16 “(A) IN GENERAL.—The Secretary shall
17 pay to each possession of the United States
18 with a mirror code tax system amounts equal to
19 the loss (if any) to that possession by reason of
20 the application of this section (determined with-
21 out regard to this subsection) with respect to
22 taxable years beginning in calendar years after
23 2025. Such amounts shall be determined by the
24 Secretary based on information provided by the
25 government of the respective possession.

1 “(B) COORDINATION WITH CREDIT AL-
2 LOWED AGAINST UNITED STATES INCOME
3 TAXES.—No credit shall be allowed under this
4 section for any taxable year to any individual to
5 whom a credit is allowable against taxes im-
6 posed by a possession of the United States with
7 a mirror code tax system by reason of the appli-
8 cation of this section in such possession for
9 such taxable year.

10 “(C) MIRROR CODE TAX SYSTEM.—For
11 purposes of this paragraph, the term ‘mirror
12 code tax system’ means, with respect to any
13 possession of the United States, the income tax
14 system of such possession if the income tax li-
15 ability of the residents of such possession under
16 such system is determined by reference to the
17 income tax laws of the United States as if such
18 possession were the United States.

19 “(2) CROSS REFERENCES RELATED TO APPLI-
20 CATION OF CREDIT TO RESIDENTS OF PUERTO
21 RICO.—

22 “(A) For application of refundable credit
23 to residents of Puerto Rico, see subsection (d).

1 “(B) For application of advance payment
2 to residents of Puerto Rico, see section
3 7527A(b)(5).

4 “(3) AMERICAN SAMOA.—

5 “(A) IN GENERAL.—The Secretary shall
6 pay to American Samoa amounts estimated by
7 the Secretary as being equal to the aggregate
8 benefits that would have been provided to resi-
9 dents of American Samoa by reason of the ap-
10 plication of this section for taxable years begin-
11 ning in calendar years after 2025 if the provi-
12 sions of this section had been in effect in Amer-
13 ican Samoa (applied as if American Samoa
14 were the United States and without regard to
15 the application of this section to residents of
16 Puerto Rico under subsection (d)).

17 “(B) DISTRIBUTION REQUIREMENT.—Sub-
18 paragraph (A) shall not apply unless American
19 Samoa has a plan, which has been approved by
20 the Secretary, under which American Samoa
21 will promptly distribute such payments to its
22 residents.

23 “(C) COORDINATION WITH CREDIT AL-
24 LOWED AGAINST UNITED STATES INCOME
25 TAXES.—

1 “(i) IN GENERAL.—In the case of a
2 taxable year with respect to which a plan
3 is approved under subparagraph (B), this
4 section (other than this subsection) shall
5 not apply to any individual eligible for a
6 distribution under such plan.

7 “(ii) APPLICATION OF SECTION IN
8 EVENT OF ABSENCE OF APPROVED
9 PLAN.—In the case of a taxable year with
10 respect to which a plan is not approved
11 under subparagraph (B), subsection (d)
12 shall be applied by substituting ‘, Puerto
13 Rico, or American Samoa’ for ‘or Puerto
14 Rico’.

15 “(4) TREATMENT OF PAYMENTS.—For pur-
16 poses of section 1324 of title 31, United States
17 Code, the payments under this subsection shall be
18 treated in the same manner as a refund due from
19 a credit provision referred to in subsection (b)(2) of
20 such section.

21 “(i) REGULATIONS.—The Secretary shall issue such
22 regulations or other guidance as the Secretary determines
23 necessary or appropriate to carry out the purposes of this
24 section, including regulations or other guidance—

1 “(1) for determining whether an individual re-
2 ceives care from a taxpayer for purposes of sub-
3 section (c)(1)(C), and

4 “(2) to coordinate or modify the application of
5 this section, section 24, and section 7527A in the
6 case of any taxpayer—

7 “(A) whose taxable year is other than a
8 calendar year,

9 “(B) whose filing status for a taxable year
10 is different from the status used for deter-
11 mining one or more monthly payments under
12 section 7527A during such taxable year, or

13 “(C) whose principal place of abode for
14 any month is different from the principal place
15 of abode used for determining the monthly pay-
16 ment under section 7527A for such month.

17 **“SEC. 24B. CREDIT FOR CERTAIN OTHER DEPENDENTS.**

18 “(a) IN GENERAL.—There shall be allowed as a cred-
19 it against the tax imposed by this chapter for the taxable
20 year an amount equal to \$500 with respect to each speci-
21 fied dependent of such taxpayer for such taxable year.

22 “(b) LIMITATION BASED ON MODIFIED ADJUSTED
23 GROSS INCOME.—

24 “(1) IN GENERAL.—The amount of the credit
25 allowable under subsection (a) shall be reduced (but

1 not below zero) by \$50 for each \$1,000 (or fraction
2 thereof) by which the taxpayer's modified adjusted
3 gross income exceeds the threshold amount.

4 “(2) THRESHOLD AMOUNT.—For purposes of
5 this subsection, the term ‘threshold amount’
6 means—

7 “(A) \$400,000, in the case of a joint re-
8 turn or surviving spouse (as defined in section
9 2(a)),

10 “(B) \$200,000, in the case of a married
11 individual filing a separate return, and

12 “(C) \$300,000, in any other case.

13 “(3) MODIFIED ADJUSTED GROSS INCOME.—
14 For purposes of this subsection, the term ‘modified
15 adjusted gross income’ means adjusted gross income
16 increased by any amount excluded from gross in-
17 come under section 911, 931, or 933.

18 “(c) SPECIFIED DEPENDENT.—For purposes of this
19 section, the term ‘specified dependent’ means, with respect
20 to any taxpayer for any taxable year, any dependent of
21 such taxpayer (as defined in section 152) for such taxable
22 year unless such dependent—

23 “(1) is a specified child of the taxpayer, or any
24 other taxpayer, for any month during such taxable
25 year, or

1 “(2) would not be a dependent if subparagraph
2 (A) of section 152(b)(3) were applied without regard
3 to all that follows ‘resident of the United States’.

4 “(d) SPECIAL RULE FOR TAXABLE YEAR CHILD AT-
5 TAINS AGE 18.—If any dependent of the taxpayer attains
6 age 18 during the taxable year—

7 “(1) whether such dependent is a specified de-
8 pendent shall be determined without regard to para-
9 graph (1) of subsection (c), and

10 “(2) with respect to such dependent, subsection
11 (a) shall be applied by substituting an amount for
12 ‘\$500’ that bears the same ratio to \$500 as—

13 “(A) the excess of—

14 “(i) 12, over

15 “(ii) the number of months during
16 such taxable year with respect to which
17 such dependent is a specified child of the
18 taxpayer or any other taxpayer, bears to

19 “(B) 12.

20 “(e) IDENTIFICATION REQUIREMENTS.—Rules simi-
21 lar to the rules of section 24A(e) shall apply for purposes
22 of this section.

23 “(f) TAXABLE YEAR MUST BE FULL TAXABLE
24 YEAR.—Except in the case of a taxable year closed by rea-
25 son of the death of the taxpayer, no credit shall be allow-

1 able under this section in the case of a taxable year cov-
2 ering a period of less than 12 months.

3 “(g) REGULATIONS.—The Secretary shall issue such
4 regulations or other guidance as the Secretary determines
5 necessary or appropriate to carry out the purposes of this
6 section.”.

7 (b) MONTHLY PAYMENT OF CHILD TAX CREDIT.—
8 Section 7527A is amended to read as follows:

9 **“SEC. 7527A. MONTHLY PAYMENTS OF CHILD TAX CREDIT.**

10 “(a) IN GENERAL.—The Secretary shall pay to each
11 taxpayer, during each calendar month which is during a
12 period of presumptive eligibility with respect to the tax-
13 payer and any child, an amount equal to the monthly ad-
14 vance child payment determined with respect to such tax-
15 payer for such month.

16 “(b) MONTHLY ADVANCE CHILD PAYMENT.—The
17 term ‘monthly advance child payment’ means, with respect
18 to any taxpayer for any calendar month, the amount (if
19 any) which is estimated by the Secretary as being equal
20 to the monthly specified child allowance which would be
21 determined under section 24A(b) with respect to such tax-
22 payer for such calendar month if—

23 “(1) the only specified children of such taxpayer
24 for such calendar month are the specified children of

1 such taxpayer for the reference month (determined
2 without regard to section 24A(c)(7)),

3 “(2) the ages of such children (and the status
4 of such children as specified children) are deter-
5 mined for such calendar month by taking into ac-
6 count the passage of time since such reference
7 month,

8 “(3) each child is only taken into account as a
9 specified child for such calendar month if such cal-
10 endar month is during a period of presumptive eligi-
11 bility with respect to the taxpayer and such child,

12 “(4) the limitations of section 24A(b)(2) were
13 applied with respect to the reference taxable year
14 rather than with respect to the applicable taxable
15 year, and

16 “(5) no monthly specified child allowance were
17 determined with respect to such taxpayer for such
18 calendar month unless the taxpayer (in the case of
19 a joint return, either spouse) has a principal place
20 of abode (determined as provided in section 32) in
21 the United States or Puerto Rico for more than one-
22 half of the reference month.

23 “(c) PERIOD OF PRESUMPTIVE ELIGIBILITY.—

24 “(1) IN GENERAL.—For purposes of this sec-
25 tion, the term ‘period of presumptive eligibility’

1 means, with respect to any taxpayer and any child,
2 the period—

3 “(A) beginning with the calendar month
4 following the calendar month during which the
5 taxpayer provides the Secretary with sufficient
6 information for the Secretary to—

7 “(i) determine that such child was a
8 specified child of the taxpayer for the ref-
9 erence month (determined without regard
10 to section 24A(c)(7)), and

11 “(ii) estimate the monthly advance
12 child payment for such calendar month,
13 and

14 “(B) ending with the earliest of—

15 “(i) the month beginning immediately
16 after the month on which the Secretary
17 sends the taxpayer a written notice that
18 the taxpayer’s period of presumptive eligi-
19 bility with respect to such child is being
20 terminated by reason of information known
21 to the Secretary (including a failure to pro-
22 vide annual information under paragraph
23 (2)) which casts doubt on such taxpayer’s
24 status as being allowed the monthly speci-
25 fied child allowance under section 24A for

1 such child (determined without regard to
2 section 24A(c)(7)) with respect to one or
3 more months following the reference
4 month,

5 “(ii) any month with respect to which
6 the taxpayer notifies the Secretary that
7 such taxpayer is not allowed a monthly
8 specified child allowance for such month
9 under section 24A(b) (determined without
10 regard to section 24A(c)(7)), and

11 “(iii) the month beginning imme-
12 diately before the first month of a new pe-
13 riod of presumptive eligibility with respect
14 to such taxpayer and such child which is
15 established on the basis of a reference
16 month more recent than the reference
17 month with respect to which such prior pe-
18 riod was established (including on the basis
19 of an annual renewal described in para-
20 graph (2)).

21 “(2) ANNUAL RENEWAL.—The Secretary shall
22 terminate a taxpayer’s period of presumptive eligi-
23 bility with respect to any child under paragraph
24 (1)(B)(i) unless such taxpayer provides information
25 sufficient to establish a new period of presumptive

1 eligibility with respect to such child (as described in
2 paragraph (1)(B)(ii)) on an annual basis.

3 “(3) AUTOMATIC ELIGIBILITY FOR BIRTH OF
4 CHILD.—The Secretary shall issue regulations or
5 other guidance to establish procedures pursuant to
6 which, to the maximum extent administratively prac-
7 ticable—

8 “(A) a parent of a child born during a cal-
9 endar month shall be treated as automatically
10 establishing a period of presumptive eligibility
11 with respect to such child,

12 “(B) the month for which such period be-
13 gins, and the month by which the first annual
14 renewal described in paragraph (2) must be
15 completed, are determined, and

16 “(C) if the first monthly advance child
17 payment with respect to such child is made
18 after the calendar month in which such child is
19 born, such payment is increased to properly
20 take into account the months in such period of
21 presumptive eligibility which precede the month
22 in which such payment is made.

23 “(4) PRESUMPTIVE ELIGIBILITY BASED ON
24 CERTAIN GOVERNMENT PROGRAMS.—The Secretary

1 shall issue regulations or other guidance to establish
2 procedures under which—

3 “(A) based on information provided to the
4 Secretary by one or more government entities,
5 a parent or specified relative of a child is treat-
6 ed as automatically establishing a period of pre-
7 sumptive eligibility with respect to such child,
8 and

9 “(B) the month for which such period be-
10 gins, the month by which the first annual re-
11 newal described in paragraph (2) must be com-
12 pleted, and any additional circumstances under
13 which such period will terminate, are deter-
14 mined.

15 “(5) TAXPAYER RESPONSIBILITY TO NOTIFY
16 SECRETARY.—In the event that any taxpayer is not
17 allowed a monthly specified child allowance under
18 section 24A(b) (determined without regard to sec-
19 tion 24A(e)(7)) for any month in a period of pre-
20 sumptive eligibility with respect to such taxpayer,
21 such taxpayer shall notify the Secretary under para-
22 graph (1)(B)(ii) at such time and in such manner as
23 the Secretary may provide.

24 “(6) TRANSITION RULE.—With respect periods
25 of presumptive eligibility beginning during the first

1 6 months to which this section applies, the Secretary
2 shall issue regulations or other guidance to establish
3 procedures pursuant to which—

4 “(A) based on information known to the
5 Secretary including returns of tax for either of
6 the last 2 taxable years ending before such
7 month, a parent or specified relative of a child
8 is treated as automatically establishing a period
9 of presumptive eligibility with respect to such
10 child, and

11 “(B) the month for which such period be-
12 gins, the month by which the first annual re-
13 newal described in paragraph (2) must be com-
14 pleted, and any additional circumstances under
15 which such period will terminate, are deter-
16 mined.

17 “(d) DETERMINATION OF REFERENCE MONTH AND
18 REFERENCE TAXABLE YEAR.—For purposes of this sec-
19 tion—

20 “(1) REFERENCE MONTH.—The term ‘reference
21 month’ means, with respect to any calendar month
22 in a period of presumptive eligibility with respect to
23 a taxpayer, the most recent of—

24 “(A) in the case of a taxpayer who filed a
25 return of tax for the last taxable year ending

1 before such calendar month, the last month of
2 such taxable year,

3 “(B) in the case of a taxpayer who filed a
4 return of tax for the taxable year preceding the
5 taxable year described in subparagraph (A), the
6 last month of such preceding taxable year, and

7 “(C) in the case of a taxpayer who other-
8 wise provides the information referred to in
9 subsection (c)(1)(A), the month with respect to
10 which such information is provided.

11 “(2) REFERENCE TAXABLE YEAR.—The term
12 ‘reference taxable year’ means, with respect to any
13 calendar month in a period of presumptive eligibility
14 with respect to a taxpayer—

15 “(A) if the reference month with respect to
16 such calendar month is determined under sub-
17 paragraph (A) or (B) of paragraph (1), the tax-
18 able year referred to in such subparagraph, re-
19 spectively, and

20 “(B) if the reference month with respect to
21 such calendar month is determined under sub-
22 paragraph (1)(C), the last taxable year ending
23 before such reference month.

24 “(e) METHODS OF PROVIDING INFORMATION TO ES-
25 TABLISH A PERIOD OF PRESUMPTIVE ELIGIBILITY.—

1 “(1) IN GENERAL.—The Secretary shall ensure
2 the information described in subsection (c)(1)(A)
3 may be provided on the return of tax for the taxable
4 year ending before the calendar year which includes
5 the month for which such period would begin,
6 through the on-line portal described in paragraph
7 (2), or in such other manner as the Secretary may
8 provide.

9 “(2) ON-LINE INFORMATION PORTAL.—The
10 Secretary shall establish an on-line portal (available
11 in multiple languages) which allows taxpayers to—

12 “(A) subject to such restrictions as the
13 Secretary may provide, elect to begin or cease
14 receiving payments under this section, and

15 “(B) provide the information described in
16 subsection (c)(1)(A).

17 “(f) RESOLUTION OF COMPETING CLAIMS OF PRE-
18 SUMPTIVE ELIGIBILITY WITH RESPECT TO SAME
19 CHILD.—

20 “(1) IN GENERAL.—If there is a period of pre-
21 sumptive eligibility with respect to any taxpayer and
22 child (hereafter referred to as the ‘original claim’),
23 a period of presumptive eligibility would (without re-
24 gard to this subsection) be established with respect
25 another taxpayer and such child (hereafter referred

1 to as the ‘challenge claim’), and the period of such
2 challenge claim would overlap with the period of
3 such original claim—

4 “(A) such challenge claim shall not be
5 taken into account under this section unless the
6 reference month with respect to which the chal-
7 lenge claim would be established is at least as
8 recent as the reference month with respect to
9 which the original claim is established,

10 “(B) such challenge claim shall not begin
11 before the original claim is terminated, and

12 “(C) the Secretary shall establish proce-
13 dures under which the Secretary expeditiously
14 adjudicates such claims on the basis of the
15 most recent feasible reference month.

16 “(2) PROVISIONS RELATED TO ADJUDICA-
17 TION.—

18 “(A) CHALLENGE CLAIM MUST RELATE TO
19 AT LEAST 3 MONTHS PROSPECTIVELY.—The
20 procedures established under paragraph (1)(C)
21 shall require that the taxpayer establishing the
22 challenge claim express a reasonable expectation
23 and intent that such taxpayer would be allowed
24 a monthly specified child allowance under sec-
25 tion 24A(b) (determined without regard to sec-

1 tion 24A(c)(7)) for at least the first 2 months
2 following the reference month referred to in
3 paragraph (1)(C).

4 “(B) EXPEDITED PROCESS; APPEALS.—
5 The procedures established under paragraph
6 (1)(C) shall include—

7 “(i) an expedited process for tax-
8 payers who meet such requirements as the
9 Secretary may establish for such expedited
10 process, and

11 “(ii) procedures for adjudicating an
12 appeal of an adverse decision.

13 “(C) INFORMATION RECEIPT AND COORDI-
14 NATION.—For purposes of obtaining informa-
15 tion relevant to any adjudication under this
16 paragraph, the Secretary may enter into agree-
17 ments to receive information from, and other-
18 wise coordinate with—

19 “(i) Federal agencies (including the
20 Social Security Administration and the De-
21 partment of Agriculture),

22 “(ii) any State, local government,
23 Tribal government, or possession of the
24 United States, and

1 “(iii) any other individual or entity
2 that the Secretary determines to be appro-
3 priate for such purposes.

4 “(D) ADJUDICATION NOT TREATED AS AS-
5 SESSMENT.—Any adjudication under this para-
6 graph shall not be treated as an assessment de-
7 scribed in section 6201.

8 “(E) ADJUDICATION NOT TREATED AS IN-
9 SPECTION OF TAXPAYER’S BOOKS OF AC-
10 COUNT.—The inspection of a taxpayer’s books
11 of account in connection with any adjudication
12 under this paragraph shall not be treated as an
13 examination or inspection of a taxpayer’s books
14 of account for purposes of section 7605(b).

15 “(3) RETROACTIVE PAYMENTS RELATED TO AD-
16 JUDICATION.—

17 “(A) DELAY IN ESTABLISHMENT OF CHAL-
18 LENGE CLAIM.—If the challenge claim is estab-
19 lished pursuant to the procedures established
20 under paragraph (1)(C), the Secretary shall
21 make a one-time payment to the taxpayer with
22 respect to such claim equal to the aggregate
23 amount of increases in the monthly advance
24 child payments which would have been made to
25 such taxpayer if such challenge claim had been

1 allowed to take effect without regard to this
2 subsection. Any payment under this subpara-
3 graph shall be in addition to any payment made
4 under subsection (g).

5 “(B) TERMINATION AND REINSTATEMENT
6 OF ORIGINAL CLAIM.—If, pursuant to the pro-
7 cedures established under paragraph (1)(C), the
8 original claim is terminated under subsection
9 (c)(1)(B)(i) and a new period of presumptive
10 eligibility is subsequently established pursuant
11 to such procedures with respect the same tax-
12 payer and child as for such original claim, the
13 Secretary shall make a one-time payment to the
14 taxpayer with respect to such claim equal to the
15 aggregate amount of increases in the monthly
16 advance child payments which would have been
17 made to such taxpayer if such original claim
18 had never been terminated.

19 “(g) RULES RELATED TO GRACE PERIODS AND
20 HARDSHIPS.—

21 “(1) AUTOMATIC GRACE PERIOD.—

22 “(A) IN GENERAL.—If a taxpayer estab-
23 lishes a period of presumptive eligibility with re-
24 spect to any child, elects the application of this
25 paragraph, and demonstrates to the satisfaction

1 of the Secretary that such taxpayer would be al-
2 lowed a monthly specified child allowance under
3 section 24A(b) (determined without regard to
4 section 24A(c)(7)) for one or more of the 3
5 months immediately preceding the first month
6 of such period, the Secretary shall make a one-
7 time payment to the taxpayer equal to the ag-
8 gregate amount of increases in the monthly ad-
9 vance child payments which would have been
10 made to such taxpayer if such months were
11 part of such period. The preceding sentence
12 shall not apply to the extent that the Secretary
13 determines that the failure to establish the pe-
14 riod of presumptive eligibility with respect to
15 such child for any such month was due to fraud
16 or reckless or intentional disregard of rules and
17 regulations.

18 “(B) LIMITATION.—Subparagraph (A)
19 shall not apply with respect to any taxpayer
20 more than once during any 36-month period.

21 “(2) HARDSHIP.—If a taxpayer establishes a
22 period of presumptive eligibility with respect to any
23 child, elects the application of this paragraph (and
24 does not elect the application of paragraph (1) with
25 respect to the establishment of such period), dem-

1 onstrates to the satisfaction of the Secretary that
2 such taxpayer would be allowed a monthly specified
3 child allowance under section 24A(b) (determined
4 without regard to section 24A(c)(7)) for one or more
5 of the 6 months immediately preceding the first
6 month of such period, and the Secretary determines
7 that the failure to establish the period of presump-
8 tive eligibility with respect to such child for such
9 months was due to domestic violence, serious illness,
10 natural disaster, or any other hardship, the Sec-
11 retary shall make a one-time payment to the tax-
12 payer equal to the aggregate amount of increases in
13 the monthly advance child payments which would
14 have been made to such taxpayer if such months
15 were part of such period.

16 “(3) COORDINATION WITH RETROACTIVE PAY-
17 MENT FOR DELAY IN ESTABLISHMENT OF CHAL-
18 LENGE CLAIM.—For purposes of applying paragraph
19 (1) or (2) with respect to any challenge claim to
20 which subsection (f)(3)(A) applies, the period of pre-
21 sumptive eligibility shall be treated as including the
22 period for which payment is made under such sub-
23 section.

24 “(h) PROVISIONS RELATED TO FORM, MANNER, AND
25 TREATMENT OF PAYMENTS.—

1 “(1) APPLICATION OF ELECTRONIC FUNDS PAY-
2 MENT REQUIREMENT.—The payments made by the
3 Secretary under subsection (a) shall be made by
4 electronic funds transfer to the same extent and in
5 the same manner as if such payments were Federal
6 payments not made under this title.

7 “(2) DELIVERY OF PAYMENTS.—Notwith-
8 standing any other provision of law, the Secretary
9 may certify and disburse refunds payable under this
10 section electronically to—

11 “(A) any account to which the payee au-
12 thorized, on or after January 1, 2024, the deliv-
13 ery of a refund of taxes under this title or of
14 a Federal payment (as defined in section 3332
15 of title 31, United States Code),

16 “(B) any account belonging to a payee
17 from which that individual, on or after January
18 1, 2024, made a payment of taxes under this
19 title, or

20 “(C) any Treasury-sponsored account (as
21 defined in section 208.2 of title 31, Code of
22 Federal Regulations).

23 “(3) WAIVER OF CERTAIN RULES.—Notwith-
24 standing section 3325 of title 31, United States
25 Code, or any other provision of law, with respect to

1 any payment of a refund under this section, a dis-
2 bursing official in the executive branch of the United
3 States Government may modify payment information
4 received from an officer or employee described in
5 section 3325(a)(1)(B) of such title for the purpose
6 of facilitating the accurate and efficient delivery of
7 such payment. Except in cases of fraud or reckless
8 neglect, no liability under sections 3325, 3527,
9 3528, or 3529 of title 31, United States Code, shall
10 be imposed with respect to payments made under
11 this paragraph.

12 “(4) EXCEPTION FROM REDUCTION OR OFF-
13 SET.—Any applicable payment (as defined in para-
14 graph (5)(E)(iii)) shall not be—

15 “(A) subject to reduction or offset pursu-
16 ant to section 3716 or 3720A of title 31,
17 United States Code,

18 “(B) subject to reduction or offset pursu-
19 ant to subsection (c), (d), (e), or (f) of section
20 6402, or

21 “(C) reduced or offset by other assessed
22 Federal taxes that would otherwise be subject
23 to levy or collection.

24 “(5) ASSIGNMENT OF BENEFITS.—

1 “(A) IN GENERAL.—The right of any per-
2 son to any applicable payment shall not be
3 transferable or assignable, at law or in equity,
4 and no applicable payment shall be subject to,
5 execution, levy, attachment, garnishment, or
6 other legal process, or the operation of any
7 bankruptcy or insolvency law.

8 “(B) ENCODING OF PAYMENTS.—In the
9 case of an applicable payment described in sub-
10 paragraph (E)(iii)(I) that is paid electronically
11 by direct deposit through the Automated Clear-
12 ing House (ACH) network, the Secretary of the
13 Treasury (or the Secretary’s delegate) shall—

14 “(i) issue the payment using a unique
15 identifier that is reasonably sufficient to
16 allow a financial institution to identify the
17 payment as an applicable payment, and

18 “(ii) further encode the payment pur-
19 suant to the same specifications as re-
20 quired for a benefit payment defined in
21 section 212.3 of title 31, Code of Federal
22 Regulations.

23 “(C) GARNISHMENT.—

24 “(i) ENCODED PAYMENTS.—In the
25 case of a garnishment order that applies to

1 an account that has received an applicable
2 payment that is encoded as provided in
3 subparagraph (B), a financial institution
4 shall follow the requirements and proce-
5 dures set forth in part 212 of title 31,
6 Code of Federal Regulations, except—

7 “(I) notwithstanding section
8 212.4 of title 31, Code of Federal
9 Regulations (and except as provided
10 in subclause (II)), a financial institu-
11 tion shall not fail to follow the proce-
12 dures of sections 212.5 and 212.6 of
13 such title with respect to a garnish-
14 ment order merely because such order
15 has attached, or includes, a notice of
16 right to garnish Federal benefits
17 issued by a State child support en-
18 forcement agency, and

19 “(II) a financial institution shall
20 not, with regard to any applicable
21 payment, be required to provide the
22 notice referenced in sections 212.6
23 and 212.7 of title 31, Code of Federal
24 Regulations.

1 “(ii) OTHER PAYMENTS.—In the case
2 of a garnishment order (other than an
3 order that has been served by the United
4 States) that has been received by a finan-
5 cial institution and that applies to an ac-
6 count into which an applicable payment
7 that has not been encoded as provided in
8 subparagraph (B) has been deposited elec-
9 tronically on any date during the lookback
10 period or into which an applicable payment
11 that has been deposited by check on any
12 date in the lookback period, the financial
13 institution, upon the request of the account
14 holder, shall treat the amount of the funds
15 in the account at the time of the request,
16 up to the amount of the applicable pay-
17 ment (in addition to any amounts other-
18 wise protected under part 212 of title 31,
19 Code of Federal Regulations), as exempt
20 from a garnishment order without requir-
21 ing the consent of the party serving the
22 garnishment order or the judgment cred-
23 itor.

24 “(iii) LIABILITY.—A financial institu-
25 tion that acts in good faith in reliance on

1 clauses (i) or (ii) shall not be subject to li-
2 ability or regulatory action under any Fed-
3 eral or State law, regulation, court or other
4 order, or regulatory interpretation for ac-
5 tions concerning any applicable payments.

6 “(D) NO RECLAMATION RIGHTS.—This
7 paragraph shall not alter the status of applica-
8 ble payments as tax refunds or other nonbenefit
9 payments for purpose of any reclamation rights
10 of the Department of the Treasury or the Inter-
11 nal Revenue Service as per part 210 of title 31,
12 Code of Federal Regulations.

13 “(E) DEFINITIONS.—For purposes of this
14 paragraph—

15 “(i) ACCOUNT HOLDER.—The term
16 ‘account holder’ means a natural person
17 whose name appears in a financial institu-
18 tion’s records as the direct or beneficial
19 owner of an account.

20 “(ii) ACCOUNT REVIEW.—The term
21 ‘account review’ means the process of ex-
22 amining deposits in an account to deter-
23 mine if an applicable payment has been de-
24 posited into the account during the
25 lookback period. The financial institution

1 shall perform the account review following
2 the procedures outlined in section 212.5 of
3 title 31, Code of Federal Regulations and
4 in accordance with the requirements of sec-
5 tion 212.6 of title 31, Code of Federal
6 Regulations.

7 “(iii) APPLICABLE PAYMENT.—The
8 term ‘applicable payment’ means—

9 “(I) any payment made to an in-
10 dividual under this section (other than
11 any payment made pursuant to para-
12 graph (6)),

13 “(II) any advance payment made
14 by a possession of the United States
15 with a mirror code tax system (as de-
16 fined in section 24(h)) pursuant to an
17 election under paragraph (6)(B)
18 which corresponds to a payment de-
19 scribed in subclause (I), and

20 “(III) any advance payment
21 made by American Samoa pursuant to
22 a program for making such payments
23 which is described in paragraph
24 (6)(C)(ii).

1 “(iv) GARNISHMENT.—The term ‘gar-
2 nishment’ means execution, levy, attach-
3 ment, garnishment, or other legal process.

4 “(v) GARNISHMENT ORDER.—The
5 term ‘garnishment order’ means a writ,
6 order, notice, summons, judgment, levy, or
7 similar written instruction issued by a
8 court, a State or State agency, a munici-
9 pality or municipal corporation, or a State
10 child support enforcement agency, includ-
11 ing a lien arising by operation of law for
12 overdue child support or an order to freeze
13 the assets in an account, to effect a gar-
14 nishment against a debtor.

15 “(vi) LOOKBACK PERIOD.—The term
16 ‘lookback period’ means the two-month pe-
17 riod that begins on the date preceding the
18 date of account review and ends on the
19 corresponding date of the month two
20 months earlier, or on the last date of the
21 month two months earlier if the cor-
22 responding date does not exist.

23 “(6) APPLICATION OF ADVANCE PAYMENTS IN
24 THE POSSESSIONS OF THE UNITED STATES.—

25 “(A) PUERTO RICO.—

1 “(i) For application of child tax credit
2 to residents of Puerto Rico, see section
3 24A(d).

4 “(ii) For application of monthly ad-
5 vance child payments to residents of Puer-
6 to Rico, see subsection (b)(4).

7 “(B) MIRROR CODE POSSESSIONS.—In the
8 case of any possession of the United States with
9 a mirror code tax system (as defined in section
10 24A(h)(1)(C)), this section shall not be treated
11 as part of the income tax laws of the United
12 States for purposes of determining the income
13 tax law of such possession unless such posses-
14 sion elects to have this section be so treated.

15 “(C) ADMINISTRATIVE EXPENSES OF AD-
16 VANCE PAYMENTS.—

17 “(i) MIRROR CODE POSSESSIONS.—In
18 the case of any possession described in
19 subparagraph (B) which makes the elec-
20 tion described in such subparagraph, the
21 amount otherwise paid by the Secretary to
22 such possession under section
23 24A(h)(1)(A) with respect to taxable years
24 beginning in 2025, 2026, and 2027 shall
25 each be increased by \$300,000 if such pos-

1 session has a plan, which has been ap-
2 proved by the Secretary, for making
3 monthly advance child payments consistent
4 with such election.

5 “(ii) AMERICAN SAMOA.—The amount
6 otherwise paid by the Secretary to Amer-
7 ican Samoa under subparagraph (A) of
8 section 24A(h)(3) with respect to taxable
9 years beginning in 2024, 2025, and 2026
10 shall each be increased by \$300,000 if the
11 plan described in subparagraph (B) of
12 such section includes a program, which has
13 been approved by the Secretary, for mak-
14 ing monthly advance child payments under
15 rules similar to the rules of this section.

16 “(iii) TIMING OF PAYMENT.—The
17 Secretary may pay, upon the request of the
18 possession of the United States to which
19 the payment is to be made, the amount of
20 the increase determined under clause (i) or
21 (ii), respectively, immediately upon ap-
22 proval of the plan with respect to which
23 such payment relates.

24 “(i) APPLICATION OF CERTAIN DEFINITIONS AND
25 RULES APPLICABLE TO CHILD TAX CREDIT.—

1 “(1) DEFINITIONS.—Except as otherwise pro-
2 vided in this section, terms used in this section
3 which are also used in section 24A shall have the
4 same respective meanings as when used in section
5 24A.

6 “(2) TREATMENT OF CERTAIN DEATHS.—A
7 child shall not be taken into account in determining
8 the monthly advance child payment for any calendar
9 month if the death of such child before the end of
10 such month is known to the Secretary as of date on
11 which the Secretary estimates such payment.

12 “(3) IDENTIFICATION REQUIREMENTS.—Rules
13 similar to the rules which apply under section
14 24A(e) shall apply for purposes of this section ex-
15 cept that such rules shall apply with respect to the
16 return of tax for the reference taxable year or, in the
17 case of information provided through the on-line
18 portal or otherwise, with respect to the information
19 so provided.

20 “(4) RESTRICTIONS ON TAXPAYERS WHO IM-
21 PROPERLY CLAIMED CREDIT OR RECEIVED MONTHLY
22 ADVANCE CHILD PAYMENTS.—For restrictions on
23 taxpayers who improperly claimed credit or received
24 monthly advance child payments, see section 24A(f).

25 “(j) NOTICE OF PAYMENTS.—

1 “(1) IN GENERAL.—Not later than January 31
2 of the calendar year following any calendar year dur-
3 ing which the Secretary makes one or more pay-
4 ments to any taxpayer under this section, the Sec-
5 retary shall provide such taxpayer with a written no-
6 tice which includes—

7 “(A) the taxpayer’s taxpayer identity (as
8 defined in section 6103(b)(6)),

9 “(B) the aggregate amount of such pay-
10 ments made to such taxpayer during such cal-
11 endar year, and

12 “(C) such other information as the Sec-
13 retary determines appropriate.

14 “(2) CERTAIN PAYMENTS SUBJECT TO TREAT-
15 MENT AS EXCESS ADVANCE PAYMENTS.—In the case
16 of any payments made to a taxpayer which the Sec-
17 retary has determined are subject to treatment as
18 excess advance payments, the notice provided under
19 paragraph (1) to such taxpayer shall include the
20 amount of such payments.

21 “(k) NOTIFICATION OF CERTAIN EVENTS.—With re-
22 spect to any taxpayer receiving monthly advance child pay-
23 ments under this section with respect to any specified
24 child, the Secretary shall, to the maximum extent prac-

1 ticable, provide reasonable advance notice of each of the
2 following:

3 “(1) Any month with respect to which such
4 monthly advance child payment will increase (rel-
5 ative to the preceding month) by reason of an infla-
6 tion adjustment under section 24A(b)(3)(A).

7 “(2) Any month with respect to which such
8 monthly advance child payment will be reduced (rel-
9 ative to the preceding month) by reason of such
10 child ceasing to be a specified child by reason of at-
11 taining age 18.

12 “(3) In the case of a taxpayer with a specified
13 child described in section 24A(b)(1)(A), any month
14 with respect to which such monthly advance child
15 payment will be reduced by reason of such child at-
16 taining age 6.

17 “(4) Such other events as the Secretary deter-
18 mines appropriate.

19 “(1) REGULATIONS.—The Secretary shall issue such
20 regulations or other guidance as the Secretary determines
21 necessary or appropriate to carry out the purposes of this
22 section.”.

23 (c) TERMINATION OF ANNUAL CHILD TAX CRED-
24 IT.—Section 24 is amended by adding at the end the fol-
25 lowing new subsection:

1 “(l) TERMINATION.—This section shall not apply to
2 (and no payment shall be made under subsection (k) with
3 respect to) any taxable year beginning after December 31,
4 2025.”.

5 (d) DISCLOSURE OF INFORMATION RELATING TO AD-
6 VANCE PAYMENT OF CHILD TAX CREDIT.—Section
7 6103(e) is amended by adding at the end the following
8 new paragraph:

9 “(12) DISCLOSURE OF INFORMATION RELATING
10 TO ADVANCE PAYMENT OF CHILD TAX CREDIT.—

11 “(A) JOINT FILERS.—In the case of any
12 individual who is eligible for monthly advance
13 child payments under section 7527A, if the ref-
14 erence taxable year (as defined in section
15 7527A(d)(2)) that the Secretary uses to cal-
16 culate such payments is a year for which the in-
17 dividual filed an income tax return jointly with
18 another individual, the Secretary may disclose
19 to such individual any information which is rel-
20 evant in determining the monthly advance child
21 payment under section 7527A, and the individ-
22 ual’s eligibility for such payment, including in-
23 formation regarding any of the following:

24 “(i) The number of specified children,
25 including by reason of the birth of a child.

1 “(ii) The name and TIN of specified
2 children.

3 “(iii) Marital status.

4 “(iv) Modified adjusted gross income.

5 “(v) Principal place of abode.

6 “(vi) Such other information as the
7 Secretary may provide.

8 “(B) COMPETING CLAIMANTS.—In the case
9 of any adjudication under section 7527A(f), the
10 Secretary may disclose return information pro-
11 vided by the individual with the original claim
12 to the individual with the challenge claim, re-
13 turn information provided by the individual
14 with the challenge claim to the individual with
15 the original claim, and any other information
16 considered by the Secretary in such adjudica-
17 tion to either or both such individuals. Such in-
18 formation shall be limited to the items specified
19 in subparagraph (A) and the following:

20 “(i) Information received under any
21 agreements or coordination the Secretary
22 entered into with—

23 “(I) any State, local government,
24 Tribal government, or possession of
25 the United States, or

1 “(II) any other individual or enti-
2 ty that the Secretary determines to be
3 appropriate for purposes of adjudi-
4 cating claims under section 7527A(f).

5 “(ii) Information considered by the
6 Secretary about where and with whom the
7 specified child resided.

8 “(iii) Information considered by the
9 Secretary about expenditures made by the
10 claimants to the extent such payments re-
11 late to the original or challenge claim.”.

12 (e) CONFORMING AMENDMENTS.—

13 (1) Section 26(b)(2) is amended by striking
14 “and” at the end of subparagraph (Y), by striking
15 the period at the end of subparagraph (Z) and in-
16 serting “, and”, and by adding at the end the fol-
17 lowing new subparagraph:

18 “(AA) section 24A(g)(2) (relating to in-
19 crease in tax equal to excess advance payments
20 in certain circumstances).”.

21 (2) Section 152(f)(6)(B)(ii) is amended to read
22 as follows:

23 “(ii) the credits under sections 24,
24 24A, and 24B and the payments under
25 sections 7527A.”.

1 (3) Section 3402(f)(1)(C) is amended by insert-
2 ing “or section 24A (determined after application of
3 subsection (g) thereof)” after “section 24 (deter-
4 mined after application of subsection (j) thereof)”.

5 (4) Section 6103(l)(13)(A)(v) is amended by in-
6 serting “or section 24A, as the case may be” after
7 “section 24”.

8 (5) Section 6211(b)(4)(A) is amended by insert-
9 ing “24A by reason of subsection (d) thereof,” after
10 “24 by reason of subsections (d) and (i)(1) there-
11 of,”.

12 (6) Section 6213(g)(2)(I) is amended by insert-
13 ing “or section 24A(e) (relating to monthly child tax
14 credit)” after “section 24(e) (relating to child tax
15 credit)”.

16 (7) Section 6213(g)(2)(L) is amended by insert-
17 ing “24A,” after “24,”.

18 (8) Section 6213(g)(2)(P) is amended—

19 (A) by inserting “or 24A(f)(2)” after “sec-
20 tion 24(g)(2)”,

21 (B) by inserting “or 24A” after “under
22 section 24”, and

23 (C) by striking “subsection (g)(1) thereof”
24 and inserting “section 24(g)(1) or section
25 24A(f)(1), respectively”.

1 (9) Section 6695(g)(2) is amended by inserting
2 “24A,” after “24,”.

3 (10) Paragraph (2) of section 1324(b) of title
4 31, United States Code, is amended by inserting
5 “24A,” after “24,”.

6 (11) The table of sections for subpart A of part
7 IV of subchapter A of chapter 1 is amended by in-
8 serting after the item relating to section 24 the fol-
9 lowing new items:

“Sec. 24A. Monthly child tax credit.

“Sec. 24B. Credit for certain other dependents.”.

10 (12) The table of sections for chapter 77 is
11 amended by striking the item relating to section
12 7527A and inserting the following new item:

“Sec. 7527A. Monthly payments of child tax credit.”.

13 (f) EFFECTIVE DATES.—

14 (1) IN GENERAL.—Except as otherwise pro-
15 vided in this subsection, the amendments made by
16 this section shall apply to taxable years beginning
17 after December 31, 2025.

18 (2) MONTHLY ADVANCE CHILD PAYMENTS.—

19 The amendments made by subsection (b) shall apply
20 to—

21 (A) calendar months beginning after the
22 date of the enactment of this Act, and

1 (B) in the case of section 7527A(g) of the
2 Internal Revenue Code of 1986 (relating to
3 grace periods and hardships), calendar months
4 beginning after December 31, 2025.

5 (3) INFORMATION DISCLOSURE.—The amend-
6 ment made by subsection (d) shall take effect on the
7 date of the enactment of this Act.

8 **Subtitle B—Child and Dependent**
9 **Care**

10 **SEC. 32001. ENHANCEMENT OF CHILD AND DEPENDENT**
11 **CARE TAX CREDIT.**

12 (a) IN GENERAL.—Paragraph (2) of section 21(a) is
13 amended to read as follows:

14 “(2) APPLICABLE PERCENTAGE.—

15 “(A) IN GENERAL.—For purposes of para-
16 graph (1), the term ‘applicable percentage’
17 means 50 percent reduced (but not below the
18 phaseout percentage) by 1 percentage point for
19 each \$2,000 (or fraction thereof) by which the
20 taxpayer’s adjusted gross income for the taxable
21 year exceeds \$125,000.

22 “(B) PHASEOUT PERCENTAGE.—For pur-
23 poses of subparagraph (A), the term ‘phaseout
24 percentage’ means 20 percent reduced (but not
25 below zero) by 1 percentage point for each

1 \$2,000 (or fraction thereof) by which the tax-
2 payer's adjusted gross income for the taxable
3 year exceeds \$400,000.”.

4 (b) INCREASE IN DOLLAR LIMIT ON AMOUNT CRED-
5 ITABLE.—Subsection (c) of section 21 is amended—

6 (1) in paragraph (1), by striking “\$3,000” and
7 inserting “\$8,000”; and

8 (2) in paragraph (2), by striking “\$6,000” and
9 inserting “\$16,000”.

10 (c) SPECIAL RULE FOR MARRIED COUPLES FILING
11 SEPARATE RETURNS.—Paragraph (2) of section 21(e) is
12 amended to read as follows:

13 “(2) MARRIED COUPLES FILING SEPARATE RE-
14 TURNS.—

15 “(A) IN GENERAL.—In the case of married
16 individuals who do not file a joint return for the
17 taxable year—

18 “(i) the applicable percentage under
19 subsection (a)(2) and the number of quali-
20 fying individuals and aggregate amount ex-
21 cludable under section 129 for purposes of
22 subsection (c) shall be determined with re-
23 spect to each such individual as if the indi-
24 vidual had filed a joint return with the in-
25 dividual's spouse, and

1 “(ii) the aggregate amount of the
2 credits allowed under this section for such
3 taxable year with respect to both spouses
4 shall not exceed the amount which would
5 have been allowed under this section if the
6 individuals had filed a joint return.

7 “(B) REGULATIONS.—The Secretary shall
8 prescribe such regulations or other guidance as
9 is necessary to carry out the purposes of this
10 subsection.”.

11 (d) ADJUSTMENT FOR INFLATION.—Section 21 is
12 amended by adding at the end the following new sub-
13 section:

14 “(i) INFLATION ADJUSTMENT.—

15 “(1) IN GENERAL.—In the case of a calendar
16 year beginning after 2026, the \$125,000 amount in
17 paragraph (2) of subsection (a) and the dollar
18 amounts in subsection (c) shall each be increased by
19 an amount equal to—

20 “(A) such dollar amount, multiplied by

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

1 (b) COST-OF-LIVING ADJUSTMENT.—Section 129 is
2 amended by adding at the end the following new sub-
3 section:

4 “(f) INFLATION ADJUSTMENT.—

5 “(1) IN GENERAL.—Each dollar amount in this
6 section shall be increased by an amount equal to—

7 “(A) such dollar amount, multiplied by

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

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

17 (c) REMOVING DEADWOOD.—Section 129(a)(2) is
18 amended by striking subparagraph (D).

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

22 **SEC. 32003. CREDIT FOR WORKING FAMILY CAREGIVERS.**

23 (a) IN GENERAL.—Subpart A of part IV of sub-
24 chapter A of chapter 1 is amended by inserting after sec-
25 tion 25E the following new section:

1 **“SEC. 25F. WORKING FAMILY CAREGIVERS.**

2 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
3 gible caregiver, there shall be allowed as a credit against
4 the tax imposed by this chapter for the taxable year an
5 amount equal to 30 percent of the qualified expenses paid
6 by the taxpayer during the taxable year to the extent that
7 such expenses exceed \$2,000.

8 “(b) LIMITATION.—

9 “(1) IN GENERAL.—The amount allowed as a
10 credit under subsection (a) for the taxable year shall
11 not exceed \$5,000.

12 “(2) ADJUSTMENT FOR INFLATION.—In the
13 case of any taxable year beginning after 2026, the
14 dollar amount contained in paragraph (1) shall be
15 increased by an amount equal to the product of—

16 “(A) such dollar amount, and

17 “(B) the medical care cost adjustment de-
18 termined under section 213(d)(10)(B)(ii) for
19 the calendar year in which the taxable year be-
20 gins, determined by substituting ‘2025’ for
21 ‘1996’ in subclause (II) thereof.

22 If any increase determined under the preceding sen-
23 tence is not a multiple of \$50, such increase shall
24 be rounded to the next lowest multiple of \$50.

1 “(c) ELIGIBLE CAREGIVER.—For purposes of this
2 section, the term ‘eligible caregiver’ means an individual
3 who—

4 “(1) during the taxable year pays or incurs
5 qualified expenses in connection with providing care
6 for a qualified care recipient, and

7 “(2) has earned income (as defined in section
8 32(c)(2)) for the taxable year in excess of \$7,500.

9 “(d) QUALIFIED CARE RECIPIENT.—For purposes of
10 this section—

11 “(1) IN GENERAL.—The term ‘qualified care re-
12 cipient’ means, with respect to any taxable year, any
13 individual who—

14 “(A) is the spouse of the eligible caregiver,
15 or any other person who bears a relationship to
16 the eligible caregiver described in any of sub-
17 paragraphs (A) through (H) of section
18 152(d)(2), and

19 “(B) has been certified, before the due
20 date for filing the return of tax for the taxable
21 year, by a licensed health care practitioner (as
22 defined in section 7702B(c)(4)) as being an in-
23 dividual with long-term care needs described in
24 paragraph (3) for a period—

1 “(i) which is at least 180 consecutive
2 days, and

3 “(ii) a portion of which occurs within
4 the taxable year.

5 “(2) PERIOD FOR MAKING CERTIFICATION.—
6 Notwithstanding paragraph (1)(B), a certification
7 shall not be treated as valid unless it is made within
8 the 39½-month period ending on such due date (or
9 such other period as the Secretary prescribes).

10 “(3) INDIVIDUALS WITH LONG-TERM CARE
11 NEEDS.—An individual is described in this para-
12 graph if the individual meets any of the following re-
13 quirements:

14 “(A) The individual is at least 6 years of
15 age and—

16 “(i) is unable to perform (without
17 substantial assistance from another indi-
18 vidual) at least 2 activities of daily living
19 (as defined in section 7702B(c)(2)(B)) due
20 to a loss of functional capacity, or

21 “(ii) requires substantial supervision
22 to protect such individual from threats to
23 health and safety due to severe cognitive
24 impairment and is unable to perform, with-
25 out reminding or cuing assistance, at least

1 activity of daily living (as so defined) or
2 to the extent provided in regulations pre-
3 scribed by the Secretary (in consultation
4 with the Secretary of Health and Human
5 Services), is unable to engage in age ap-
6 propriate activities.

7 “(B) The individual is at least 2 but not
8 6 years of age and is unable due to a loss of
9 functional capacity to perform (without sub-
10 stantial assistance from another individual) at
11 least 2 of the following activities: eating, trans-
12 ferring, or mobility.

13 “(C) The individual is under 2 years of age
14 and requires specific durable medical equipment
15 by reason of a severe health condition or re-
16 quires a skilled practitioner trained to address
17 the individual’s condition to be available if the
18 individual’s parents or guardians are absent.

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

21 “(1) IN GENERAL.—Subject to paragraph (4),
22 the term ‘qualified expenses’ means expenditures for
23 goods, services, and supports that—

24 “(A) assist a qualified care recipient with
25 accomplishing activities of daily living (as de-

1 fined in section 7702B(c)(2)(B)) and instru-
2 mental activities of daily living (as defined in
3 section 1915(k)(6)(F) of the Social Security
4 Act (42 U.S.C. 1396n(k)(6)(F))), and

5 “(B) are provided solely for use by such
6 qualified care recipient.

7 “(2) ADJUSTMENT FOR OTHER TAX BENE-
8 FITS.—The amount of qualified expenses otherwise
9 taken into account under paragraph (1) with respect
10 to an individual shall be reduced by the sum of any
11 amounts paid for the benefit of such individual for
12 the taxable year which are—

13 “(A) taken into account under section 21
14 or 213, or

15 “(B) excluded from gross income under
16 section 129, 223(f), or 529A(c)(1)(B).

17 “(3) GOODS, SERVICES, AND SUPPORTS.—For
18 purposes of paragraph (1), goods, services, and sup-
19 ports (as defined by the Secretary) shall include—

20 “(A) human assistance, supervision, cuing
21 and standby assistance,

22 “(B) assistive technologies and devices (in-
23 cluding remote health monitoring),

24 “(C) environmental modifications (includ-
25 ing home modifications),

1 “(D) health maintenance tasks (such as
2 medication management),

3 “(E) information,

4 “(F) transportation of the qualified care
5 recipient,

6 “(G) non-health items (such as inconti-
7 nence supplies), and

8 “(H) coordination of and services for peo-
9 ple who live in their own home, a residential
10 setting, or a nursing facility, as well as the cost
11 of care in these or other locations.

12 “(4) QUALIFIED EXPENSES FOR ELIGIBLE
13 CAREGIVERS.—For purposes of paragraph (1), the
14 following shall be treated as qualified expenses if
15 paid or incurred by an eligible caregiver:

16 “(A) Expenditures for respite care for a
17 qualified care recipient.

18 “(B) Expenditures for counseling, support
19 groups, or training relating to caring for a
20 qualified care recipient.

21 “(C) Lost wages for unpaid time off due to
22 caring for a qualified care recipient as verified
23 by an employer.

24 “(D) Travel costs of the eligible caregiver
25 related to caring for a qualified care recipient.

1 “(E) Expenditures for technologies, as de-
2 termined by the Secretary, that assist an eligi-
3 ble caregiver in providing care for a qualified
4 care recipient.

5 “(5) HUMAN ASSISTANCE.—The term ‘human
6 assistance’ includes the costs of a direct care worker.

7 “(6) DOCUMENTATION.—An expense shall not
8 be taken into account under this section unless the
9 eligible caregiver substantiates such expense under
10 such regulations or guidance as the Secretary shall
11 provide.

12 “(7) MILEAGE RATE.—For purposes of this sec-
13 tion, the mileage rate for the use of a passenger
14 automobile shall be the standard mileage rate used
15 to calculate the deductible costs of operating an
16 automobile for medical purposes. Such rate may be
17 used in lieu of actual automobile-related travel ex-
18 penses.

19 “(8) COORDINATION WITH ABLE ACCOUNTS.—
20 Qualified expenses for a taxable year shall not in-
21 clude contributions to an ABLE account (as defined
22 in section 529A).

23 “(f) PHASE OUT BASED ON ADJUSTED GROSS IN-
24 COME.—For purposes of this section—

1 “(1) IN GENERAL.—The amount of the credit
2 allowable under subsection (a) shall be reduced (but
3 not below zero) by \$100 for each \$1,000 (or fraction
4 thereof) by which the taxpayer’s modified adjusted
5 gross income exceeds the threshold amount.

6 “(2) MODIFIED ADJUSTED GROSS INCOME.—
7 The term ‘modified adjusted gross income’ means
8 adjusted gross income increased by any amount ex-
9 cluded from gross income under section 911, 931, or
10 933.

11 “(3) THRESHOLD AMOUNT.—The term ‘thresh-
12 old amount’ means—

13 “(A) \$150,000 in the case of a joint re-
14 turn, and

15 “(B) \$75,000 in any other case.

16 “(4) INDEXING.—In the case of any taxable
17 year beginning in a calendar year after 2026, each
18 dollar amount contained in paragraph (3) shall be
19 increased by an amount equal to the product of—

20 “(A) such dollar amount, and

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

1 ‘calendar year 2016’ in subparagraph (A)(ii)
2 thereof.

3 “(5) ROUNDING RULE.—If any increase deter-
4 mined under paragraph (4) is not a multiple of \$50,
5 such increase shall be rounded to the next lowest
6 multiple of \$50.

7 “(g) IDENTIFICATION REQUIREMENTS.—No credit
8 shall be allowed under this section to a taxpayer with re-
9 spect to any qualified care recipient unless the taxpayer
10 includes the name and taxpayer identification number of
11 such individual, and the identification number of the li-
12 censed health care practitioner certifying such individual,
13 on the return of tax for the taxable year.”.

14 (b) CLERICAL AMENDMENT.—The table of sections
15 for subpart A of part IV of subchapter A of chapter 1
16 is amended by inserting after the item relating to section
17 25E the following new item:

 “Sec. 25F. Working family caregivers.”.

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

21 **SEC. 32004. LICENSED FAMILY CHILD CARE CREDIT.**

22 (a) IN GENERAL.—Subpart C of part IV of sub-
23 chapter A of chapter 1, as amended by the preceding pro-
24 visions of this Act, is amended by inserting after section
25 36D the following new section:

1 **“SEC. 36E. LICENSED FAMILY CHILD CARE CREDIT.**

2 “(a) IN GENERAL.—In the case of a qualified tax-
3 payer, there shall be allowed as a credit against the tax
4 imposed by this subtitle for any taxable year an amount
5 equal to so much of the qualified child care startup ex-
6 penses of the taxpayer for such taxable year or for the
7 preceding taxable year as do not exceed \$5,000.

8 “(b) QUALIFIED TAXPAYER.—For purposes of this
9 section, the term ‘qualified taxpayer’ means, with respect
10 to a taxable year, a taxpayer that operates a qualified fam-
11 ily child care provider.

12 “(c) QUALIFIED FAMILY CHILD CARE PROVIDER.—
13 For purposes of this section, the term ‘qualified family
14 child care provider’ means a family child care provider
15 that, with respect to a taxable year—

16 “(1) provides child care services for compensa-
17 tion that, as of the last day of such taxable year, is
18 licensed or registered under State law and satisfies
19 State and local requirements applicable to the child
20 care services it provides,

21 “(2) primarily provides child care at the tax-
22 payer’s primary residence, and

23 “(3) provided child care services to not less
24 than 2 children (excluding children of such taxpayer)
25 for a significant portion of such taxable year.

1 “(d) QUALIFIED CHILD CARE STARTUP EX-
2 PENSES.—For purposes of this section, the term ‘qualified
3 child care startup expenses’ means amounts paid or in-
4 curred for any of the following in order to establish and
5 operate a qualified family child care provider:

6 “(1) Child care licensing fees.

7 “(2) Child care supplies including diapers, food,
8 toys, and learning materials.

9 “(3) Liability insurance.

10 “(4) Fencing and installation of such fencing.

11 “(5) Outdoor playground equipment and instal-
12 lation of such equipment.

13 “(6) Furniture necessary to provide child care.

14 “(7) Salary of an employee other than the tax-
15 payer.

16 “(8) Printer and computers.

17 “(9) Professional training required as a condi-
18 tion of State licensure or registration.

19 “(10) Remediation or renovation of the tax-
20 payer’s primary residence required as a condition of
21 State licensure or registration.

22 “(e) LIMITATIONS.—No credit shall be allowed under
23 subsection (a) to any taxpayer to whom a credit was al-
24 lowed under such subsection in any other taxable year.

1 “(f) DENIAL OF DOUBLE BENEFIT.—No credit shall
2 be allowed under subsection (a) for any expense for which
3 a deduction or credit is allowed under any other provision
4 of this chapter.

5 “(g) 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 relating to such information reporting and
9 coordination with state and local licensing or registration
10 entities as the Secretary determines appropriate.

11 “(h) SUNSET.—No credit shall be allowed under sub-
12 section (a) for any taxable year beginning after the date
13 that is 7 years after the date of the enactment of this
14 section.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 6211(b)(4)(A), as amended by the
17 preceding provisions of this Act, is amended by in-
18 serting “36E,” after “36D,”.

19 (2) Section 1324(b)(2) of title 31, United
20 States Code, as amended by the preceding provisions
21 of this Act, is amended by inserting “36E,” after
22 “36D,”.

23 (c) CLERICAL AMENDMENT.—The table of sections
24 for subpart C of part IV of subchapter A of chapter 1,
25 as amended by the preceding provisions of this Act, is

1 amended by inserting after the item relating to section
2 36B the following new item:

“Sec. 36E. Licensed family child care credit.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to amounts paid or incurred after
5 the date of the enactment of this Act.

6 **Subtitle C—Ensuring Affordable**
7 **Adoptions**

8 **SEC. 33001. REFUNDABLE ADOPTION TAX CREDIT.**

9 (a) **CREDIT MADE REFUNDABLE.**—

10 (1) **CREDIT MOVED TO SUBPART RELATING TO**
11 **REFUNDABLE CREDITS.**—The Internal Revenue
12 Code of 1986, as amended by the preceding provi-
13 sions of this Act, is amended—

14 (A) by redesignating section 23 as section
15 36F, and

16 (B) by moving section 36F (as so redesign-
17 ated) from subpart A of part IV of subchapter
18 A of chapter 1 to the location immediately be-
19 fore section 37 in subpart C of part IV of sub-
20 chapter A of chapter 1.

21 (2) **CONFORMING AMENDMENTS.**—

22 (A) Section 25(e)(1)(C) is amended by
23 striking “sections 23 and 25D” and inserting
24 “section 25D”.

1 (B) Section 36E, as so redesignated, is
2 amended—

3 (i) in subsection (b)(2)(A), by striking
4 “(determined without regard to subsection
5 (c))”,

6 (ii) by striking subsection (c), and

7 (iii) by redesignating subsections (d)
8 through (i) as subsections (e) through (h),
9 respectively.

10 (C) Section 137 is amended—

11 (i) in subsection (d), by striking “sec-
12 tion 23(d)” and inserting “section
13 36F(c)”, and

14 (ii) in subsection (e), by striking “sub-
15 sections (e), (f), and (g) of section 23” and
16 inserting “subsections (d), (e), and (f) of
17 section 36F”.

18 (D) Section 1016(a)(26) is amended by
19 striking “23(g)” and inserting “36F(f)”.

20 (E) Section 6211(b)(4)(A), as amended by
21 the preceding provisions of this Act, is amended
22 by inserting “36F,” after “36E,”.

23 (F) The table of sections for subpart A of
24 part IV of subchapter A of chapter 1 is amend-
25 ed by striking the item relating to section 23.

1 (G) Paragraph (2) of section 1324(b) of
2 title 31, United States Code, as amended by the
3 preceding provisions of this Act, is amended by
4 inserting “36F,” after “36E,”.

5 (H) Paragraph (33) of section 471(a) of
6 the Social Security Act (42 U.S.C. 671(a)) is
7 amended by striking “section 23” and inserting
8 “section 36F”.

9 (I) The table of sections for subpart C of
10 part IV of subchapter A of chapter 1, as
11 amended by the preceding provisions of this
12 Act, is amended by inserting after the item re-
13 lating to section 36E the following new item:

“Sec. 36F. Adoption expenses.”.

14 (b) THIRD-PARTY AFFIDAVITS.—Section 36F(h), as
15 redesignated and moved by subsection (a), is amended—

16 (1) by striking “such regulations” and inserting
17 “such regulations and guidance”,

18 (2) by striking “including regulations which
19 treat” and inserting “including regulations and
20 guidance which—

21 “(1) treat”,

22 (3) by striking the period at the end and insert-
23 ing “, and”, and

24 (4) by adding at the end the following:

1 “(2) provide for a standardized third-party affi-
2 davit for purposes of verifying a legal adoption—

3 “(A) of a type with respect to which quali-
4 fied adoption expenses may be paid or incurred,
5 or

6 “(B) involving a child with special needs
7 for purposes of subsection (a)(3).”.

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

11 (d) TRANSITIONAL RULE TO TREAT CARRYFORWARD
12 AS REFUNDABLE CREDIT.—In the case of any excess de-
13 scribed in section 23(c) of the Internal Revenue Code of
14 1986 with respect to any taxpayer for the taxable year
15 which precedes the first taxable year to which the amend-
16 ments made by this section apply, such excess shall be
17 added to the credit allowable under section 36F(a) of such
18 Code with respect to such taxpayer for such first taxable
19 year.

1 **TITLE IV—EDUCATION AND**
2 **WORKFORCE TRAINING**
3 **Subtitle A—Ensuring Affordable**
4 **Higher Education**

5 **SEC. 41001. AMERICAN OPPORTUNITY CREDIT EXPANDED**
6 **TO 6 YEARS, MADE TEMPORARILY FULLY RE-**
7 **FUNDABLE.**

8 (a) IN GENERAL.—Section 25A(i) is amended—

9 (1) in subsection (b)(2)—

10 (A) in subparagraph (A)—

11 (i) in the heading, by striking “4 TAX-
12 ABLE YEARS” and inserting “6 TAXABLE
13 YEARS”, and

14 (ii) by striking “4 prior taxable years”
15 and inserting “6 taxable years”, and

16 (B) in subparagraph (C)—

17 (i) in the heading, by striking “FIRST
18 4 YEARS” and inserting “FIRST 6 YEARS”,
19 and

20 (ii) by striking “the first 4 years” and
21 inserting “the first 6 years”, and

22 (2) by redesignating subsection (j) as sub-
23 section (k) and by inserting after subsection (i) the
24 following:

1 “(j) AMERICAN OPPORTUNITY TAX CREDIT MADE
2 FULLY REFUNDABLE FOR 2026.—In the case of a taxable
3 year beginning after December 31, 2025, and before Jan-
4 uary 1, 2027, subsection (i) shall be applied by sub-
5 stituting ‘100 percent’ for ‘forty percent’.”.

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

9 (c) OUTREACH CAMPAIGN.—

10 (1) IN GENERAL.—The Secretary of the Treas-
11 ury (or the Secretary’s delegate) shall conduct an
12 outreach campaign to—

13 (A) provide information to the public re-
14 garding the expansion of the American Oppor-
15 tunity Credit under section 25A of the Internal
16 Revenue Code of 1986, as amended by this Act,
17 and

18 (B) assist individuals with claiming such
19 credit.

20 (2) METHODS.—With respect to the outreach
21 campaign described in paragraph (a), the Secretary
22 shall—

23 (A) provide relevant information on the
24 public website of the Internal Revenue Service,
25 and

1 (B) send communications via direct mail-
2 ing and electronic mail to individuals who have
3 been identified as eligible for such credit for the
4 taxable year.

5 **SEC. 41002. EXPANSION OF PELL GRANT EXCLUSION FROM**
6 **GROSS INCOME.**

7 (a) IN GENERAL.—Section 117(b)(1) is amended by
8 striking “received by an individual” and all that follows
9 and inserting “received by an individual—

10 “(A) as a scholarship or fellowship grant
11 to the extent the individual establishes that, in
12 accordance with the conditions of the grant,
13 such amount was used for qualified tuition and
14 related expenses, or

15 “(B) as a Federal Pell Grant under section
16 401 of the Higher Education Act of 1965 (as
17 in effect on the date of the enactment of this
18 subparagraph).”.

19 (b) NO ADJUSTMENT UNDER AMERICAN OPPOR-
20 TUNITY AND LIFETIME LEARNING CREDITS.—Section
21 25A(g)(2)(A) is amended by striking “a qualified scholar-
22 ship which” and inserting “a qualified scholarship which
23 is described in section 117(b)(1)(A) and which”.

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

4 **SEC. 41003. EXPANSION OF AMERICAN OPPORTUNITY AND**
5 **LIFETIME LEARNING CREDITS.**

6 (a) IN GENERAL.—Section 25A is amended—

7 (1) in subsection (f)(1)—

8 (A) in subparagraph (A), by striking “tui-
9 tion and fees” and inserting “tuition, fees, com-
10 puter or peripheral equipment, child and de-
11 pendent care expenses, and course materials”,

12 (B) by striking subparagraph (D), and

13 (C) by adding at the end the following new
14 subparagraphs:

15 “(D) CHILD AND DEPENDENT CARE EX-
16 PENSES.—For purposes of this paragraph—

17 “(i) IN GENERAL.—The term ‘child
18 and dependent care expenses’ means
19 amounts paid for the following expenses,
20 but only if such expenses are incurred to
21 enable the taxpayer to be enrolled in an el-
22 igible educational institution for any period
23 for which there are 1 or more qualifying
24 individuals with respect to the taxpayer:

1 “(I) expenses for household serv-
2 ices, and

3 “(II) expenses for the care of a
4 qualifying individual.

5 Such term shall not include any amount
6 paid for services outside the taxpayer’s
7 household at a camp where the qualifying
8 individual stays overnight.

9 “(ii) QUALIFYING INDIVIDUAL.—The
10 term ‘qualifying individual’ has the mean-
11 ing given such term in section 21(b)(1).

12 “(iii) EXCEPTION, DEPENDENT CARE
13 CENTERS.—Rules similar to the rules of
14 subparagraphs (B), (C), and (D) of section
15 21(b)(2) shall apply, except the term ‘child
16 and dependent care expenses’ shall be sub-
17 stituted for the term ‘employment-related
18 expenses’ each place it appears in such
19 subparagraphs.

20 “(E) CHILD AND DEPENDENT CARE EX-
21 PENSES ONLY QUALIFIED EXPENSES WHEN
22 CLAIMED BY ELIGIBLE STUDENT.—Amounts
23 paid for an expense described in subparagraph
24 (E) may not be taken into account under this
25 paragraph for a taxable year unless required for

1 the enrollment or attendance of an individual
2 described in subparagraph (A)(i) or subpara-
3 graph (A)(ii).

4 “(F) COMPUTER OR PERIPHERAL EQUIP-
5 MENT.—

6 “(i) DEFINED.—For purposes of this
7 paragraph, the term ‘computer or periph-
8 eral equipment’ means expenses for the
9 purchase of computer or peripheral equip-
10 ment (as defined in section 168(i)(2)(B),
11 computer software (as defined in section
12 197(e)(3)(B))), or internet access and re-
13 lated services, if such equipment, software,
14 or services are to be used primarily by the
15 individual during any of the years the indi-
16 vidual is enrolled at an eligible educational
17 institution.

18 “(ii) DOLLAR LIMIT ON AMOUNT
19 CREDITABLE.—The aggregate of the
20 amounts paid or expenses incurred for
21 computer or peripheral equipment which
22 may be taken into account under this para-
23 graph for a taxable year by the taxpayer
24 shall not exceed \$1,000.”, and

25 (2) in subsection (g)(5)—

1 (A) in the heading, by adding “OR CRED-
2 IT” at the end, and

3 (B) by inserting “or credit” after “a de-
4 duction”.

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

8 **SEC. 41004. ELIMINATION OF DENIAL OF AMERICAN OP-
9 PORTUNITY TAX CREDIT FOR STUDENTS
10 CONVICTED OF A FELONY DRUG OFFENSE.**

11 (a) IN GENERAL.—Section 25A(b)(2) is amended by
12 striking subparagraph (D).

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

16 **SEC. 41005. MODIFICATION OF TREATMENT OF STUDENT
17 LOAN FORGIVENESS.**

18 (a) IN GENERAL.—Section 108(f) is amended—

19 (1) by amending paragraph (1) to read as fol-
20 lows:

21 “(1) IN GENERAL.—In the case of an indi-
22 vidual, gross income does not include any amount
23 which (but for this subsection) would be includible in
24 gross income by reasons of the discharge (in whole
25 or in part) of—

1 “(A) any loan provided expressly for post-
2 secondary educational expenses, regardless of
3 whether provided through the educational insti-
4 tution or directly to the borrower, if such loan
5 was made, insured, or guaranteed by—

6 “(i) the United States, or an instru-
7 mentality or agency thereof,

8 “(ii) a State, territory, or possession
9 of the United States, or the District of Co-
10 lumbia, or any political subdivision thereof,
11 or

12 “(iii) any institution of higher edu-
13 cation,

14 “(B) any private education loan (as de-
15 fined in section 140(a)(7) of the Truth in Lend-
16 ing Act),

17 “(C) any loan made by any educational or-
18 ganization described in section 170(b)(1)(A)(ii)
19 if such loan is made—

20 “(i) pursuant to an agreement with
21 any entity described in subparagraph (A)
22 or any private education lender (as defined
23 in section 140(a) of the Truth in Lending
24 Act) under which the funds from which the

1 loan was made were provided to such edu-
2 cational organization, or

3 “(ii) pursuant to a program of such
4 educational organization which is designed
5 to encourage its students to serve in occu-
6 pations with unmet needs or in areas with
7 unmet needs and under which the services
8 provided by the students (or former stu-
9 dents) are for or under the direction of a
10 governmental unit or an organization de-
11 scribed in section 501(c)(3) and exempt
12 from tax under section 501(a), or

13 “(D) any loan made by an educational or-
14 ganization described in section 170(b)(1)(A)(ii)
15 or by an organization exempt from tax under
16 section 501(a) to refinance a loan to an indi-
17 vidual to assist the individual in attending any
18 such educational organization but only if the re-
19 financing loan is pursuant to a program of the
20 refinancing organization which is designed as
21 described in subparagraph (C)(ii).”,

22 (2) by striking paragraphs (2) and (5),

23 (3) by redesignating paragraphs (3) and (4) as
24 paragraphs (2) and (3), respectively, and

25 (4) in paragraph (2), as so redesignated, by—

1 (A) striking “made by an organization de-
2 scribed in paragraph (2)(D)” and inserting
3 “made by an organization described in para-
4 graph (1)(C) or made by a private education
5 lender (as defined in section 140(a)(7) of the
6 Truth in Lending Act)”, and

7 (B) inserting “or for such private edu-
8 cation lender” after “either such organization”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to discharges of loans after Decem-
11 ber 31, 2025.

12 **SEC. 41006. STUDENT LOAN INTEREST DEDUCTION LIMITA-**
13 **TION APPLIED SEPARATELY TO EACH**
14 **SPOUSE.**

15 (a) IN GENERAL.—Section 221(b)(1) is amended to
16 read as follows:

17 “(1) IN GENERAL.—The interest taken into ac-
18 count with respect to a taxpayer for a taxable year
19 under subsection (a) for indebtedness incurred by an
20 individual shall not exceed \$2,500.”.

21 (b) CONFORMING AMENDMENTS.—Section 221 is
22 amended—

23 (1) in subsection (b), by striking the heading
24 and inserting “DOLLAR LIMITATIONS”, and

1 (2) by amending subsection (e) to read as fol-
2 lows:

3 “(e) DENIAL OF DOUBLE BENEFIT.—No deduction
4 shall be allowed under this section for any amount for
5 which a deduction is allowable under any other provision
6 of this chapter.”.

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

10 **Subtitle B—Supporting Our** 11 **Workforce**

12 **SEC. 42001. EDUCATOR EXPENSE DEDUCTION TO INCLUDE** 13 **EARLY CHILDHOOD EDUCATORS.**

14 (a) IN GENERAL.—Section 62 is amended—

15 (1) in subsection (a)(2)(D), by striking the
16 heading and inserting “CERTAIN EXPENSES OF
17 EARLY CHILDHOOD, ELEMENTARY, AND SECONDARY
18 SCHOOL TEACHERS.”;

19 (2) in subsection (d)(1)(A), by striking “kinder-
20 garten through grade 12 teacher” and inserting,
21 “early childhood educator, kindergarten through
22 grade 12 teacher”; and

23 (3) in subsection (d)(1)(B), by striking “ele-
24 mentary education or secondary education (kinder-
25 garten through grade 12)” and inserting, “early

1 childhood education, elementary education, or sec-
2 ondary education (pre-kindergarten through grade
3 12)”.
4

5 (b) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to expenses incurred in taxable
7 years beginning after December 31, 2025.

8 **SEC. 42002. ALLOWANCE OF DEDUCTION FOR CERTAIN EX-**
9 **PENSES OF THE TRADE OR BUSINESS OF**
10 **BEING AN EMPLOYEE.**

11 (a) ABOVE-THE-LINE DEDUCTION FOR UNION DUES
12 AND EXPENSES.—Section 62(a)(1) is amended by adding
13 at the end the following new sentence: “The limitation
14 under the preceding sentence shall not apply to deductions
15 which are attributable to a trade or business consisting
16 of the performance of services by the taxpayer as an em-
17 ployee if such deductions are for union dues and ex-
18 penses.”.

19 (b) ALLOWANCE OF MISCELLANEOUS ITEMIZED DE-
20 DUCTION FOR OTHER EXPENSES OF THE TRADE OR
21 BUSINESS OF BEING AN EMPLOYEE.—Section 67(g) is
22 amended—

23 (1) by striking “2025.—Notwithstanding sub-
24 section (a),” and inserting “2025.—

25 “(1) IN GENERAL.—Notwithstanding subsection
26 (a), except as provided in paragraph (2),”; and

1 (2) by adding at the end the following:

2 “(2) EXCEPTION FOR EXPENSES OF THE
3 TRADE OR BUSINESS OF BEING AN EMPLOYEE.—

4 “(A) IN GENERAL.—Paragraph (1) shall
5 not apply to miscellaneous itemized deductions
6 for any taxable year which are itemized deduc-
7 tions attributable to a trade or business carried
8 on by the taxpayer which consists of the per-
9 formance of services by the taxpayer as an em-
10 ployee.

11 “(B) APPLICATION OF 2-PERCENT TEST.—
12 In applying subsection (a) for any taxable year
13 to which this paragraph applies, only the
14 itemized deductions described in subparagraph
15 (A) shall be taken into account as miscellaneous
16 itemized deductions.”.

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

20 **SEC. 42003. MODIFICATION OF DEDUCTION FOR CASH TIPS.**

21 (a) MADE PERMANENT.—Section 224 is amended by
22 striking subsection (h).

23 (b) APPLICATION OF LIMITATION ON INDIVIDUAL
24 BASIS.—Section 224(b)(1) is amended by inserting “to an

1 individual” after “amount allowed as a deduction under
2 this section”.

3 (c) TREATMENT OF AUTOMATIC GRATUITIES.—Sec-
4 tion 224(d) is amended by adding at the end the following
5 new paragraph:

6 “(4) TREATMENT OF CERTAIN AUTOMATIC GRA-
7 TUITIES.—

8 “(A) IN GENERAL.—In the case of an indi-
9 vidual engaged in an occupation in hospitality,
10 food and beverage service, or cosmetology, the
11 term ‘qualified tips’ shall include automatic gra-
12 tuities.

13 “(B) AUTOMATIC GRATUITY.—For pur-
14 poses of this paragraph, the term ‘automatic
15 gratuity’ means, with respect to an individual,
16 any amount which—

17 “(i) would be a qualified tip with re-
18 spect to the individual but for paragraph
19 (2)(A), and

20 “(ii) is a mandatory or suggested
21 amount paid pursuant to a uniform policy
22 of the employer, under which such entire
23 amount is received by the individual or,
24 under State or local law, is pooled and re-

1 ceived only by employees of the employer
2 under a tip-sharing arrangement.”.

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

6 **SEC. 42004. DEDUCTION FOR CERTAIN OVERTIME COM-**
7 **PENSATION.**

8 (a) **IN GENERAL.**—Section 225(c)(1) is amended to
9 read as follows:

10 “(1) **IN GENERAL.**—For purposes of this sec-
11 tion, the term ‘qualified overtime compensation’
12 means—

13 “(A) any overtime compensation paid to an
14 individual required under section 7 of the Fair
15 Labor Standards Act of 1938 that is in excess
16 of the regular rate (as used in such section) at
17 which such individual is employed, or

18 “(B) any compensation paid to an indi-
19 vidual that is in excess of the regular rate at
20 which such individual is employed if—

21 “(i) such compensation is paid for
22 work for a single employer pursuant to an
23 agreement between the employee (or labor
24 organization representing such employee)

1 and employer entered into before the per-
2 formance of the work, and

3 “(ii) either—

4 “(I) such work is in excess of a
5 standard number of hours of such
6 work for a specified period of time,
7 and such agreement specifies that
8 such standard number of hours for a
9 specified period of time is not less
10 than 40 hours for a 7-day work pe-
11 riod, or

12 “(II) if the employee (including
13 any crewmember or flight crew-
14 member, or rail operating craft em-
15 ployee) and employer referred to in
16 clause (i) are both covered by the
17 Railway Labor Act, such work is be-
18 yond scheduled or anticipated hours
19 on duty or for hours on duty that ex-
20 ceed a maximum number of hours
21 with respect to a specified period of
22 time (as determined pursuant to such
23 agreement).”.

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

4 **SEC. 42005. ABOVE-THE-LINE DEDUCTION OF EXPENSES OF**
5 **PERFORMING ARTISTS.**

6 (a) IN GENERAL.—Section 62(a)(2)(B) is amend-
7 ed—

8 (1) by striking “PERFORMING ARTISTS.—The
9 deductions” and inserting the following: “PER-
10 FORMING ARTISTS.—

11 “(i) IN GENERAL.—The deductions”,
12 and

13 (2) by adding at the end the following new
14 clauses:

15 “(ii) PHASEOUT.—The amount of ex-
16 penses taken into account under clause (i)
17 shall be reduced (but not below zero) by 10
18 percentage points for each \$2,000 (\$4,000
19 in the case of a joint return), or fraction
20 thereof, by which the taxpayer’s gross in-
21 come for the taxable year exceeds
22 \$100,000 (200 percent of such amount in
23 the case of a joint return).

24 “(iii) COST-OF-LIVING ADJUST-
25 MENT.—In the case of any taxable year be-

1 ginning in a calendar year after 2026, the
2 \$100,000 amount under clause (ii) shall be
3 increased by an amount equal to—

4 “(I) such dollar amount, multi-
5 plied by

6 “(II) the cost-of-living adjust-
7 ment determined under section 1(f)(3)
8 for the calendar year in which the tax-
9 able year begins, determined by sub-
10 stituting ‘calendar year 2025’ for ‘cal-
11 endar year 2016’ in subparagraph
12 (A)(ii) thereof.

13 If any amount after adjustment under the
14 preceding sentence is not a multiple of
15 \$1,000, such amount shall be rounded to
16 the nearest multiple of \$1,000.”.

17 (b) CLARIFICATION REGARDING COMMISSION PAID
18 TO PERFORMING ARTIST’S MANAGER OR AGENT.—Sec-
19 tion 62(a)(2)(B)(i), as amended by subsection (a), is
20 amended by inserting before the period at the end the fol-
21 lowing: “, including any commission paid to the per-
22 forming artist’s manager or agent”.

23 (c) INCREASE IN THRESHOLD FOR DETERMINING
24 NOMINAL EMPLOYERS.—Section 62(b)(2) is amended—

1 (1) by striking “An individual” and inserting
2 the following:

3 “(A) IN GENERAL.—An individual”,

4 (2) by striking “\$200” and inserting “\$500”,
5 and

6 (3) by adding at the end the following new sub-
7 paragraph:

8 “(B) COST-OF-LIVING ADJUSTMENT.—In
9 the case of any taxable year beginning in a cal-
10 endar year after 2026, the \$500 amount under
11 subparagraph (A) shall be increased by an
12 amount equal to—

13 “(i) such dollar amount, multiplied by

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

20 If any amount after adjustment under the pre-
21 ceding sentence is not a multiple of \$50, such
22 amount shall be rounded to the nearest multiple
23 of \$50.”.

24 (d) CONFORMING AMENDMENTS.—

1 (1) Section 62(a)(2)(B)(i), as amended by the
2 preceding provisions of this Act, is amended by
3 striking “by him” and inserting “by the performing
4 artist”.

5 (2) Section 62(b)(1) is amended by inserting
6 “and” at the end of subparagraph (A), by striking
7 “, and” at the end of subparagraph (B) and insert-
8 ing a period, and by striking subparagraph (C).

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

12 **SEC. 42006. PERMANENT EXTENSION OF EARNED INCOME**
13 **CREDIT RULES FOR INDIVIDUALS WITHOUT**
14 **QUALIFYING CHILDREN.**

15 (a) DECREASE IN MINIMUM AGE FOR CREDIT.—

16 (1) IN GENERAL.—Subclause (II) of section
17 32(c)(1)(A)(ii) is amended by striking “age 25” and
18 inserting “the applicable minimum age”.

19 (2) APPLICABLE MINIMUM AGE.—Paragraph
20 (1) of section 32(c) is amended by adding at the end
21 the following new subparagraph:

22 “(F) APPLICABLE MINIMUM AGE.—For
23 purposes of this paragraph—

24 “(i) IN GENERAL.—The term ‘applica-
25 ble minimum age’ means—

1 “(I) except as otherwise provided
2 in this clause, age 19,

3 “(II) in the case of a student (as
4 defined in section 152(f)(2)), other
5 than a qualified former foster youth
6 or a qualified homeless youth, age 24,
7 and

8 “(III) in the case of a qualified
9 former foster youth or a qualified
10 homeless youth, age 18.

11 “(ii) QUALIFIED FORMER FOSTER
12 YOUTH.—For purposes of this subpara-
13 graph, the term ‘qualified former foster
14 youth’ means an individual who—

15 “(I) on or after the date that
16 such individual attained age 14, was
17 in foster care provided under the su-
18 pervision or administration of an enti-
19 ty administering (or eligible to admin-
20 ister) a plan under part B or part E
21 of title IV of the Social Security Act
22 (without regard to whether Federal
23 assistance was provided with respect
24 to such child under such part E), and

1 “(II) provides (in such manner
2 as the Secretary may provide) consent
3 for entities which administer a plan
4 under part B or part E of title IV of
5 the Social Security Act to disclose to
6 the Secretary information related to
7 the status of such individual as a
8 qualified former foster youth.

9 “(iii) QUALIFIED HOMELESS
10 YOUTH.—For purposes of this subpara-
11 graph, the term ‘qualified homeless youth’
12 means, with respect to any taxable year,
13 an individual who certifies, in a manner as
14 provided by the Secretary, that such indi-
15 vidual is either an unaccompanied youth
16 who is a homeless child or youth, or is un-
17 accompanied, at risk of homelessness, and
18 self-supporting.”.

19 (b) ELIMINATION OF MAXIMUM AGE FOR CREDIT.—
20 Subclause (II) of section 32(c)(1)(A)(ii) is amended by
21 striking “but not attained age 65”.

22 (c) INCREASE IN CREDIT AND PHASEOUT PERCENT-
23 AGES.—The table contained in paragraph (1) of section
24 32(b) is amended by striking “7.65” each place it appears
25 and inserting “15.3”.

1 (d) INCREASE IN EARNED INCOME AND PHASEOUT
2 AMOUNTS.—The table contained in subparagraph (A) of
3 section 32(b)(2) is amended—

4 (1) by striking “\$4,220” and inserting
5 “\$9,820”, and

6 (2) by striking “\$5,280” and inserting
7 “\$11,610”.

8 (e) INFLATION ADJUSTMENTS.—

9 (1) IN GENERAL.—Paragraph (1) of section
10 32(j) is amended to read as follows:

11 “(1) IN GENERAL.—In the case of any taxable
12 year beginning after—

13 “(A) 2021, in the case of the dollar
14 amount in subsection (i)(1),

15 “(B) 2026, in the case of the dollar
16 amounts in the third row of the table in sub-
17 section (b)(2)(A), and

18 “(C) 2015, in any other case,
19 each of the dollar amounts in subsections (b)(2) and
20 (i)(1) shall be increased by an amount equal to the
21 inflation amount.”.

22 (2) INFLATION AMOUNT.—Subsection (j) of sec-
23 tion 32 is amended by adding at the end the fol-
24 lowing new paragraph:

1 “(3) INFLATION AMOUNT.—For purposes of
2 paragraph (1), the inflation amount with respect to
3 any dollar amount for any taxable year is the
4 amount equal to—

5 “(A) such dollar amount, multiplied by

6 “(B) the percentage (if any) by which—

7 “(i) the CPI (as defined in section
8 1(f)(4)) for the calendar year preceding
9 the year in which the taxable year begins,
10 exceeds

11 “(ii) the CPI (as so defined) for—

12 “(I) in the case of amounts in
13 the third row of the table in sub-
14 section (b)(2)(A), 2025,

15 “(II) in the case of any other
16 amount in subsection (b)(2)(A), 1995,

17 “(III) in the case of the \$5,000
18 amount in subsection (b)(2)(B), 2008,
19 and

20 “(IV) in the case of the \$10,000
21 amount in subsection (i)(1), 2020.”.

22 (f) CONFORMING AMENDMENT.—Section 32 is
23 amended by striking subsection (n).

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

4 **SEC. 42007. APPLICATION OF EARNED INCOME CREDIT TO**
5 **POSSESSIONS OF THE UNITED STATES.**

6 (a) PUERTO RICO.—Subparagraph (B) of section
7 7530(a)(1) is amended by striking “in the case of calendar
8 years 2021 through 2025,”.

9 (b) POSSESSIONS WITH MIRROR CODE TAX SYS-
10 TEMS.—Subparagraph (B) of section 7530(b)(1) is
11 amended by striking “in the case of calendar years 2021
12 through 2025,”.

13 (c) AMERICAN SAMOA.—Subparagraph (B) of section
14 7530(c)(1) is amended by striking “in the case of calendar
15 years 2021 through 2025,”.

16 **SEC. 42008. ELECTION TO USE PRIOR YEAR EARNED IN-**
17 **COME FOR EARNED INCOME TAX CREDIT.**

18 (a) IN GENERAL.—Paragraph (2) of section 32(c) is
19 amended by adding at the end the following new subpara-
20 graph:

21 “(C) ELECTION TO USE PRIOR YEAR
22 EARNED INCOME.—

23 “(i) IN GENERAL.—If the earned in-
24 come of the taxpayer for any taxable year
25 is less than the earned income of the tax-

1 payer for the preceding taxable year, the
2 credit allowed under subsection (a) may, at
3 the election of the taxpayer, be determined
4 by substituting—

5 “(I) such earned income for such
6 preceding taxable year, for

7 “(II) such earned income for the
8 taxable year for which such credit is
9 being determined.

10 “(ii) APPLICATION TO JOINT RE-
11 TURNS.—For purposes of clause (i), in the
12 case of a joint return, the earned income
13 of the taxpayer for the preceding taxable
14 year shall be the sum of the earned income
15 of each spouse for such taxable year.

16 “(iii) SPECIAL RULES.—

17 “(I) ERRORS TREATED AS MATH-
18 EMATICAL ERRORS.—For purposes of
19 section 6213, an incorrect use on a re-
20 turn of earned income pursuant to
21 clause (i) shall be treated as a mathe-
22 matical or clerical error.

23 “(II) NO EFFECT ON DETER-
24 MINATION OF GROSS INCOME, ETC.—
25 Except as otherwise provided in this

1 subparagraph, this title shall be ap-
2 plied without regard to any substi-
3 tution under clause (i).”.

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

7 **TITLE V—HEALTHCARE**

8 **SEC. 50001. INCREASE IN ELIGIBILITY FOR HEALTH INSUR-** 9 **ANCE PREMIUM ASSISTANCE TAX CREDIT.**

10 (a) IN GENERAL.—Subparagraph (A) of section
11 36B(c)(1) is amended by striking “but does not exceed
12 400 percent”.

13 (b) APPLICABLE PERCENTAGES.—

14 (1) IN GENERAL.—Subparagraph (A) of section
15 36B(b)(3) is amended to read as follows:

16 “(A) APPLICABLE PERCENTAGE.—The ap-
17 plicable percentage for any taxable year shall be
18 the percentage such that the applicable percent-
19 age for any taxpayer whose household income is
20 within an income tier specified in the following
21 table shall increase, on a sliding scale in a lin-
22 ear manner, from the initial premium percent-
23 age to the final premium percentage specified in
24 such table for such income tier:

“In the case of household income (expressed as a percent of poverty line) within the following income tier:	The initial premium percentage is—	The final premium percentage is—
Up to 150 percent	0	0
150 percent up to 200 percent	0	2.0
200 percent up to 250 percent	2.0	4.0
250 percent up to 300 percent	4.0	6.0
300 percent up to 400 percent	6.0	8.5
400 percent and higher	8.5	8.5.”.

1 (2) CONFORMING AMENDMENTS RELATING TO
2 AFFORDABILITY OF COVERAGE.—

3 (A) Paragraph (1) of section 36B(c) is
4 amended by striking subparagraph (E).

5 (B) Subparagraph (C) of section 36B(c)(2)
6 is amended by striking clause (iv).

7 (C) Paragraph (4) of section 36B(c) is
8 amended by striking subparagraph (F).

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

12 **SEC. 50002. FILLING THE COVERAGE GAP.**

13 (a) ENSURING AFFORDABILITY OF COVERAGE FOR
14 CERTAIN LOW-INCOME POPULATIONS.—Section 1402 of
15 the Patient Protection and Affordable Care Act (42
16 U.S.C. 18071) is amended—

17 (1) in subsection (b)—

18 (A) in paragraph (2), by inserting “(or,
19 with respect to plan years 2026, 2027, and
20 2028, whose household income does not exceed

1 400 percent of the poverty line for a family of
2 the size involved)” before the period; and

3 (B) in the matter following paragraph (2),
4 by adding at the end the following new sen-
5 tence: “In the case of an individual who is de-
6 termined at any point to have a household in-
7 come for 2025 that does not exceed 138 percent
8 of the poverty line for a family of the size in-
9 volved, such individual shall, for each month
10 during such year, be treated as having a house-
11 hold income equal to 100 percent for purposes
12 of applying this section.”; and

13 (2) in subsection (c)—

14 (A) in paragraph (1)(A), in the matter
15 preceding clause (i), by inserting “, with respect
16 to eligible insureds (other than, with respect to
17 plan years 2026, 2027, and 2028, specified en-
18 rollees (as defined in paragraph (6)(C))),” after
19 “first be achieved”;

20 (B) in paragraph (2), in the matter pre-
21 ceeding subparagraph (A), by inserting “with re-
22 spect to eligible insureds (other than, with re-
23 spect to plan years 2026, 2027, and 2028, spec-
24 ified enrollees)” after “under the plan”;

25 (C) in paragraph (3)—

1 (i) in subparagraph (A), by striking
2 “this subsection” and inserting “paragraph
3 (1) or (2)”; and

4 (ii) in subparagraph (B), by striking
5 “this section” and inserting “paragraphs
6 (1) and (2)”; and

7 (D) by adding at the end the following new
8 paragraph:

9 “(6) SPECIAL RULE FOR SPECIFIED ENROLL-
10 EES.—

11 “(A) IN GENERAL.—The Secretary shall
12 establish procedures under which the issuer of
13 a qualified health plan to which this section ap-
14 plies shall reduce cost-sharing under the plan
15 with respect to months occurring during plan
16 years 2026, 2027, and 2028 for enrollees who
17 are specified enrollees (as defined in subpara-
18 graph (C)) in a manner sufficient to increase
19 the plan’s share of the total allowed costs of
20 benefits provided under the plan to 99 percent
21 of such costs.

22 “(B) METHODS FOR REDUCING COST
23 SHARING.—

24 “(i) IN GENERAL.—An issuer of a
25 qualified health plan making reductions

1 under this paragraph shall notify the Sec-
2 retary of such reductions and the Sec-
3 retary shall, out of funds made available
4 under clause (ii), make periodic and timely
5 payments to the issuer equal to 12 percent
6 of the total allowed costs of benefits pro-
7 vided under each such plan to specified en-
8 rollees during plan years 2026, 2027, and
9 2028.

10 “(ii) APPROPRIATION.—In addition to
11 amounts otherwise available, there are ap-
12 propriated, out of any money in the Treas-
13 ury not otherwise appropriated, such sums
14 as may be necessary to the Secretary to
15 make payments under clause (i).

16 “(C) SPECIFIED ENROLLEE DEFINED.—
17 For purposes of this section, the term ‘specified
18 enrollee’ means, with respect to a plan year, an
19 eligible insured who is determined at any point
20 to have a household income for such plan year
21 that does not exceed 138 percent of the poverty
22 line for a family of the size involved. Such in-
23 sured shall be deemed to be a specified enrollee
24 for each month in such plan year.”.

1 (b) OPEN ENROLLMENTS APPLICABLE TO CERTAIN
2 LOWER-INCOME POPULATIONS.—Section 1311(c) of the
3 Patient Protection and Affordable Care Act (42 U.S.C.
4 18031(c)) is amended—

5 (1) in paragraph (6)—

6 (A) in subparagraph (C), by striking at the
7 end “and”;

8 (B) in subparagraph (D), by striking the
9 period at the end and inserting “; and”; and

10 (C) by adding at the end the following new
11 subparagraph:

12 “(E) with respect to a qualified health plan
13 with respect to which section 1402 applies, for
14 months occurring during the period beginning
15 on January 1, 2026, and ending on December
16 31, 2028, enrollment periods described in sub-
17 paragraph (A) of paragraph (8) for individuals
18 described in subparagraph (B) of such para-
19 graph.”; and

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

22 “(8) SPECIAL ENROLLMENT PERIOD FOR CER-
23 TAIN LOW-INCOME POPULATIONS.—

24 “(A) IN GENERAL.—The enrollment period
25 described in this paragraph is, in the case of an

1 individual described in subparagraph (B), the
2 continuous period beginning on the first day
3 that such individual is so described.

4 “(B) INDIVIDUAL DESCRIBED.—For pur-
5 poses of subparagraph (A), an individual de-
6 scribed in this subparagraph is an individual—

7 “(i) with a household income that
8 does not exceed 138 percent of the poverty
9 line for a family of the size involved; and

10 “(ii) who is not eligible for minimum
11 essential coverage (as defined in section
12 5000A(f) of the Internal Revenue Code of
13 1986), other than for coverage described in
14 any of subparagraphs (B) through (E) of
15 paragraph (1) of such section.”.

16 (c) ADDITIONAL BENEFITS FOR CERTAIN LOW-IN-
17 COME INDIVIDUALS FOR PLAN YEARS 2026 AND 2027.—
18 Section 1301(a) of the Patient Protection and Affordable
19 Care Act (42 U.S.C. 18021(a)) is amended—

20 (1) in paragraph (1)—

21 (A) in subparagraph (B), by striking
22 “and” at the end;

23 (B) in subparagraph (C)(iv), by striking
24 the period and inserting “; and”; and

1 (C) by adding at the end the following new
2 subparagraph:

3 “(D) provides, with respect to a plan of-
4 fered in the silver level of coverage to which sec-
5 tion 1402 applies during plan year 2026 and
6 2027, for benefits described in paragraph (5) in
7 the case of an individual who has a household
8 income that does not exceed 138 percent of the
9 poverty line for a family of the size involved,
10 and who is eligible to receive cost-sharing re-
11 ductions under section 1402.”; and

12 (2) by adding at the end the following new
13 paragraph:

14 “(5) ADDITIONAL BENEFITS FOR CERTAIN
15 LOW-INCOME INDIVIDUALS FOR PLAN YEAR 2026 AND
16 2027.—

17 “(A) IN GENERAL.—

18 “(i) BENEFITS.—For purposes of
19 paragraph (1)(D), the benefits described in
20 this paragraph to be provided by a quali-
21 fied health plan are benefits consisting
22 of—

23 “(I) non-emergency medical
24 transportation services (as described
25 in section 1902(a)(4) of the Social Se-

1 curity Act) for which Federal pay-
2 ments would have been available
3 under title XIX of the Social Security
4 Act had such services been furnished
5 to an individual enrolled under a
6 State plan (or waiver of such plan)
7 under such title; and

8 “(II) services described in sub-
9 section (a)(4)(C) of section 1905 of
10 such Act for which Federal payments
11 would have been so available;

12 which are not otherwise provided under
13 such plan as part of the essential health
14 benefits package described in section
15 1302(a).

16 “(ii) CONDITION ON PROVISION OF
17 BENEFITS.—Benefits described in this
18 paragraph shall be provided—

19 “(I) without any restriction on
20 the choice of a qualified provider from
21 whom an individual may receive such
22 benefits; and

23 “(II) without any imposition of
24 cost sharing.

1 “(B) PAYMENTS FOR ADDITIONAL BENE-
2 FITS.—

3 “(i) IN GENERAL.—An issuer of a
4 qualified health plan making payments for
5 services described in subparagraph (A) fur-
6 nished to individuals described in para-
7 graph (1)(D) during plan year 2026 or
8 2027 shall notify the Secretary of such
9 payments and the Secretary shall, out of
10 funds made available under clause (ii),
11 make periodic and timely payments to the
12 issuer equal to payments for such services
13 so furnished.

14 “(ii) APPROPRIATION.—In addition to
15 amounts otherwise available, there is ap-
16 propriated, out of any money in the Treas-
17 ury not otherwise appropriated, such sums
18 as may be necessary to the Secretary to
19 make payments under clause (i).”.

20 (d) EDUCATION AND OUTREACH ACTIVITIES.—

21 (1) IN GENERAL.—Section 1321(c) of the Pa-
22 tient Protection and Affordable Care Act (42 U.S.C.
23 18041(c)) is amended by adding at the end the fol-
24 lowing new paragraph:

1 “(3) OUTREACH AND EDUCATIONAL ACTIVI-
2 TIES.—

3 “(A) IN GENERAL.—In the case of an Ex-
4 change established or operated by the Secretary
5 within a State pursuant to this subsection, the
6 Secretary shall carry out outreach and edu-
7 cational activities for purposes of informing in-
8 dividuals described in section
9 1902(a)(10)(A)(i)(VIII) of the Social Security
10 Act who reside in States that have not ex-
11 pended amounts under a State plan (or waiver
12 of such plan) under title XIX of such Act for
13 all such individuals about qualified health plans
14 offered through the Exchange, including by in-
15 forming such individuals of the availability of
16 coverage under such plans and financial assist-
17 ance for coverage under such plans. Such out-
18 reach and educational activities shall be pro-
19 vided in a manner that is culturally and linguis-
20 tically appropriate to the needs of the popu-
21 lations being served by the Exchange (including
22 hard-to-reach populations, such as racial and
23 sexual minorities, limited English proficient
24 populations, individuals residing in areas where
25 the unemployment rates exceeds the national

1 average unemployment rate, individuals in rural
2 areas, veterans, and young adults).

3 “(B) LIMITATION ON USE OF FUNDS.—
4 Funds appropriated under this paragraph shall
5 not be used to promote any health insurance
6 coverage other than qualified health plans.

7 “(C) FUNDING.—In addition to amounts
8 otherwise available, there is appropriated, out of
9 any money in the Treasury not otherwise ap-
10 propriated, to remain available until expended,
11 \$105,000,000 for fiscal year 2026 to carry out
12 this paragraph, of which—

13 “(i) \$15,000,000 shall be used to
14 carry out this paragraph in fiscal year
15 2026; and

16 “(ii) \$30,000,000 shall be used to
17 carry out this paragraph for each of fiscal
18 years 2027 through 2028.”.

19 (2) NAVIGATOR PROGRAM.—Section 1311(i) of
20 the Patient Protection and Affordable Care Act (42
21 U.S.C. 18031(i)) is amended—

22 (A) in paragraph (1)—

23 (i) by striking “An Exchange” and in-
24 serting the following:

25 “(A) IN GENERAL.—An Exchange”; and

1 (ii) by adding at the end the fol-
2 lowing:

3 “(B) GRANTS FOR ELIGIBLE ENTITIES
4 WITH RESPECT TO CERTAIN STATES.—The Sec-
5 retary shall establish a program to award
6 grants to entities described in paragraph (2) to
7 carry out the duties described in paragraph (3)
8 in one or more States that do not provide under
9 the State plan under title XIX of the Social Se-
10 curity Act (or a waiver of such plan) bench-
11 mark coverage described in section 1937(b)(1)
12 of such Act or benchmark equivalent coverage
13 described in section 1937(b)(2) of such Act to
14 all individuals described in section
15 1902(a)(10)(A)(i)(VIII) of such Act.”; and

16 (B) in paragraph (6)—

17 (i) by striking “Grants under” and in-
18 sserting the following: “

19 “(A) STATE EXCHANGES.—Grants under”;
20 and

21 (ii) by adding at the end the following
22 new subparagraph:

23 “(B) FEDERAL EXCHANGES; GRANTS TO
24 ELIGIBLE ENTITIES WITH RESPECT TO CERTAIN
25 STATES.—For purposes of carrying out this

1 subsection, with respect to an Exchange estab-
2 lished and operated by the Secretary within a
3 State pursuant to section 1321(c) and with re-
4 spect to grants under paragraph (1)(B), the
5 Secretary shall obligate not less than
6 \$10,000,000 out of amounts collected through
7 the user fees on participating health insurance
8 issuers pursuant to section 156.50 of title 45,
9 Code of Federal Regulations (or any successor
10 regulations) for fiscal year 2026, and not less
11 than \$20,000,000 for each of fiscal years 2027
12 and 2028. Such amount so obligated for a fiscal
13 year shall remain available until expended.”.

14 (e) FUNDING.—In addition to amounts otherwise
15 available, there is appropriated to the Secretary of Health
16 and Human Services for fiscal year 2026, out of any
17 money in the Treasury not otherwise appropriated,
18 \$65,000,000, to remain available until expended, for pur-
19 poses of carrying out the provisions of, and the amend-
20 ments made by, this section (other than subsections (f)
21 and (g)).

22 (f) TEMPORARY EXPANSION OF HEALTH INSURANCE
23 PREMIUM TAX CREDITS FOR CERTAIN LOW-INCOME POP-
24 ULATIONS.—

1 (1) IN GENERAL.—Section 36B is amended by
2 redesignating subsection (h) as subsection (i) and by
3 inserting after subsection (g) the following new sub-
4 section:

5 “(h) CERTAIN TEMPORARY RULES BEGINNING IN
6 2026.—With respect to any taxable year beginning after
7 December 31, 2025, and before January 1, 2029—

8 “(1) ELIGIBILITY FOR CREDIT NOT LIMITED
9 BASED ON INCOME.—Subsection (c)(1)(A) shall be
10 applied without regard to ‘equals or exceeds 100
11 percent but’.

12 “(2) CREDIT ALLOWED TO CERTAIN LOW-IN-
13 COME EMPLOYEES OFFERED EMPLOYER-PROVIDED
14 COVERAGE.—In the case of an individual whose
15 household income does not exceed 138 percent of the
16 poverty line for a family of the size involved, clause
17 (i) of subsection (c)(2)(C) shall be applied (including
18 in the case of any individual described in the last
19 sentence of such clause) without regard to subclause
20 (II) thereof.

21 “(3) CREDIT ALLOWED TO CERTAIN LOW-IN-
22 COME EMPLOYEES OFFERED QUALIFIED SMALL EM-
23 PLOYER HEALTH REIMBURSEMENT ARRANGE-
24 MENTS.—A qualified small employer health reim-
25 bursement arrangement shall not be treated as con-

1 stituting affordable coverage for an employee (or any
2 spouse or dependent of such employee) for any
3 months of a taxable year if the employee’s household
4 income for such taxable year does not exceed 138
5 percent of the poverty line for a family of the size
6 involved.

7 “(4) LIMITATIONS ON RECAPTURE.—

8 “(A) IN GENERAL.—In the case of a tax-
9 payer whose household income is less than 200
10 percent of the poverty line for the size of the
11 family involved for the taxable year, the amount
12 of the increase under subsection (f)(2)(A) shall
13 in no event exceed \$300 (one-half of such
14 amount in the case of a taxpayer whose tax is
15 determined under section 1(c) for the taxable
16 year).

17 “(B) LIMITATION ON INCREASE FOR CER-
18 TAIN NON-FILERS.—In the case of any taxpayer
19 who would not be required to file a return of
20 tax for the taxable year but for any require-
21 ment to reconcile advance credit payments
22 under subsection (f), if an Exchange established
23 under title I of the Patient Protection and Af-
24 fordable Care Act has determined that—

1 “(i) such taxpayer is eligible for ad-
2 vance payments under section 1412 of
3 such Act for any portion of such taxable
4 year, and

5 “(ii) such taxpayer’s household in-
6 come for such taxable year is projected not
7 to exceed 138 percent of the poverty line
8 for a family of the size involved,
9 subsection (f)(2)(A) shall not apply to such tax-
10 payer for such taxable year and such taxpayer
11 shall not be required to file such return of tax.

12 “(C) INFORMATION PROVIDED BY EX-
13 CHANGE.—The information required to be pro-
14 vided by an Exchange to the Secretary and to
15 the taxpayer under subsection (f)(3) shall in-
16 clude such information as is necessary to deter-
17 mine whether such Exchange has made the de-
18 terminations described in clauses (i) and (ii) of
19 subparagraph (B) with respect to such tax-
20 payer.”.

21 (2) EMPLOYER SHARED RESPONSIBILITY PRO-
22 VISION NOT APPLICABLE WITH RESPECT TO CER-
23 TAIN LOW-INCOME TAXPAYERS RECEIVING PREMIUM
24 ASSISTANCE.—Section 4980H(c)(3) is amended to
25 read as follows:

1 “(3) APPLICABLE PREMIUM TAX CREDIT AND
2 COST-SHARING REDUCTION.—

3 “(A) IN GENERAL.—The term ‘applicable
4 premium tax credit and cost-sharing reduction’
5 means—

6 “(i) any premium tax credit allowed
7 under section 36B,

8 “(ii) any cost-sharing reduction under
9 section 1402 of the Patient Protection and
10 Affordable Care Act, and

11 “(iii) any advance payment of such
12 credit or reduction under section 1412 of
13 such Act.

14 “(B) EXCEPTION WITH RESPECT TO CER-
15 TAIN LOW-INCOME TAXPAYERS.—Such term
16 shall not include any premium tax credit, cost-
17 sharing reduction, or advance payment other-
18 wise described in subparagraph (A) if such
19 credit, reduction, or payment is allowed or paid
20 for a taxable year of an employee (beginning
21 after December 31, 2025, and before January
22 1, 2029) with respect to which—

23 “(i) an Exchange established under
24 title I of the Patient Protection and Af-
25 fordable Care Act has determined that

1 such employee’s household income for such
2 taxable year is projected to not exceed 138
3 percent of the poverty line for a family of
4 the size involved, or

5 “(ii) such employee’s household in-
6 come for such taxable year does not exceed
7 138 percent of the poverty line for a family
8 of the size involved.”.

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

12 (g) FURTHER INCREASE IN FMAP FOR MEDICAL
13 ASSISTANCE FOR NEWLY ELIGIBLE MANDATORY INDI-
14 VIDUALS.—Section 1905(y)(1) of the Social Security Act
15 (42 U.S.C. 1396d(y)(1)) is amended—

16 (1) in subparagraph (D), by striking at the end
17 “and”;

18 (2) in subparagraph (E), by striking “2020 and
19 each year thereafter.” and inserting “2020, 2021,
20 2022, 2023, 2024, and 2025;”; and

21 (3) by adding at the end the following new sub-
22 paragraphs:

23 “(F) 93 percent for calendar quarters in
24 2026, 2027, and 2028; and

1 “(G) 90 percent for calendar quarters in
2 2029 and each year thereafter.”.

3 **SEC. 50003. FREEZE OF PREMIUM ADJUSTMENT PERCENT-**
4 **AGE INCREASE.**

5 Section 1302(c)(4) of the Patient Protection and Af-
6 fordable Care Act is amended—

7 (1) by striking “For purposes of” and inserting
8 the following:

9 “(A) IN GENERAL.—For purposes of”; and

10 (2) by adding at the end the following new sub-
11 paragraph:

12 “(B) FREEZE IN PREMIUM ADJUSTMENT
13 PERCENTAGE INCREASE.—For plan years be-
14 ginning on or after January 1, 2027, the max-
15 imum annual limitation on cost sharing (as de-
16 scribed in section 156.130(a)(2) of title 45,
17 Code of Federal Regulations) is equal to the
18 greater of—

19 “(i) the maximum annual limitation
20 on cost sharing for plan year 2025, as de-
21 scribed in the final rule published on April
22 15, 2024 (89 Fed. Reg. 26218 et seq.);
23 and

24 “(ii) 90 percent of the amount de-
25 scribed in clause (i), increased by the per-

1 centage by which the average per capita
 2 premium for health insurance coverage in
 3 the United States for the preceding cal-
 4 endar year (as estimated by the Secretary
 5 not later than October 1 of such preceding
 6 calendar year) exceeds such average per
 7 capita premium for 2024.”.

8 **SEC. 50004. REQUIRING COVERAGE OF CERTAIN IMMUNIZA-**
 9 **TIONS RECOMMENDED BY THE ADVISORY**
 10 **COMMITTEE ON IMMUNIZATION PRACTICES.**

11 (a) GROUP HEALTH PLANS AND HEALTH INSUR-
 12 ANCE COVERAGE.—

13 (1) PHSA.—

14 (A) IN GENERAL.—Part D of title XXVII
 15 of the Public Health Service Act (42 U.S.C.
 16 300gg-111 et seq.) is amended by adding at
 17 the end the following new section:

18 **“SEC. 2799A-11. COVERAGE OF CERTAIN IMMUNIZATIONS**
 19 **RECOMMENDED BY THE ADVISORY COM-**
 20 **MITTEE ON IMMUNIZATION PRACTICES.**

21 “(a) IN GENERAL.—With respect to plan years occur-
 22 ring during the date of the enactment of this section, or
 23 beginning on or after the date of the enactment of this
 24 section and before January 1, 2030, a group health plan
 25 and a health insurance issuer offering group or individual

1 health insurance coverage shall provide coverage for and
2 shall not impose any cost sharing requirements for immu-
3 nizations that had in effect a recommendation from the
4 Advisory Committee on Immunization Practices of the
5 Centers for Disease Control and Prevention with respect
6 to the individual involved as of October 25, 2024, includ-
7 ing such an immunization as updated or changed after
8 that date under a supplement to a biologics license appli-
9 cation approved by the Food and Drug Administration.

10 “(b) SPECIAL RULE.—Subsection (a) shall not apply
11 in the case of an immunization administered during the
12 minimum interval established under section 2713(b) with
13 respect to such immunization.”.

14 (B) CONFORMING AMENDMENT.—Section
15 1302(e)(1)(B)(i) of the Patient Protection and
16 Affordable Care Act (42 U.S.C.
17 18022(e)(1)(B)(i)) is amended by striking “sec-
18 tion 2713” and inserting “sections 2713 and
19 2799A–11 of the Public Health Service Act”.

20 (2) ERISA.—

21 (A) IN GENERAL.—Subpart B of part 7 of
22 subtitle B of title I of the Employee Retirement
23 Income Security Act of 1974 (29 U.S.C. 1185
24 et seq.) is amended by adding at the end the
25 following new section:

1 **“SEC. 726. COVERAGE OF CERTAIN IMMUNIZATIONS REC-**
2 **COMMENDED BY THE ADVISORY COMMITTEE**
3 **ON IMMUNIZATION PRACTICES.**

4 “(a) IN GENERAL.—With respect to plan years occur-
5 ring during the date of the enactment of this section, or
6 beginning on or after the date of the enactment of this
7 section and before January 1, 2030, a group health plan
8 and a health insurance issuer offering group health insur-
9 ance coverage shall provide coverage for and shall not im-
10 pose any cost sharing requirements for immunizations
11 that had in effect a recommendation from the Advisory
12 Committee on Immunization Practices of the Centers for
13 Disease Control and Prevention with respect to the indi-
14 vidual involved as of October 25, 2024, including such an
15 immunization as updated or changed after that date under
16 a supplement to a biologics license application approved
17 by the Food and Drug Administration.

18 “(b) SPECIAL RULE.—Subsection (a) shall not apply
19 in the case of an immunization administered during the
20 minimum interval established under section 2713(b) of the
21 Public Health Service Act with respect to such immuniza-
22 tion.”.

23 (B) CLERICAL AMENDMENT.—The table of
24 contents in section 1 of the Employee Retirement
25 Income Security Act of 1974 (29 U.S.C.
26 1001 note) is amended by inserting after the

1 item relating to section 725 the following new
2 item:

“Sec. 726. Coverage of certain immunizations recommended by the Advisory
Committee on Immunization Practices.”.

3 (3) IRC.—

4 (A) IN GENERAL.—Subchapter B of chap-
5 ter 100 of the Internal Revenue Code of 1986
6 is amended by adding at the end the following
7 new section:

8 **“SEC. 9826. COVERAGE OF CERTAIN IMMUNIZATIONS REC-**
9 **COMMENDED BY THE ADVISORY COMMITTEE**
10 **ON IMMUNIZATION PRACTICES.**

11 “(a) IN GENERAL.—With respect to plan years occur-
12 ring during the date of the enactment of this section, or
13 beginning on or after the date of the enactment of this
14 section and before January 1, 2030, a group health plan
15 shall provide coverage for and shall not impose any cost
16 sharing requirements for immunizations that had in effect
17 a recommendation from the Advisory Committee on Im-
18 munization Practices of the Centers for Disease Control
19 and Prevention with respect to the individual involved as
20 of October 25, 2024, including such an immunization as
21 updated or changed after that date under a supplement
22 to a biologics license application approved by the Food and
23 Drug Administration.

1 “(b) SPECIAL RULE.—Subsection (a) shall not apply
2 in the case of an immunization administered during the
3 minimum interval established under section 2713(b) of the
4 Public Health Service Act with respect to such immuniza-
5 tion.”.

6 (B) CLERICAL AMENDMENT.—The table of
7 sections for subchapter B of chapter 100 of the
8 Internal Revenue Code of 1986 is amended by
9 adding at the end the following new item:

“Sec. 9826. Coverage of certain immunizations recommended by the Advisory
Committee on Immunization Practices.”.

10 (b) MEDICARE.—Section 1860D–2(b)(8)(B) of the
11 Social Security Act (42 U.S.C. 1395w–102(b)(8)(B)) is
12 amended—

13 (1) by striking “with recommendations” and in-
14 serting “with—

15 “(i) recommendations”;

16 (2) by striking the period at the end and insert-
17 ing “; or”; and

18 (3) by adding at the end the following new
19 clause:

20 “(ii) for plan years occurring during
21 the date of the enactment of this clause, or
22 beginning on or after the date of the enact-
23 ment of this clause and before January 1,
24 2030, in the case of a vaccine with respect

1 to which such a recommendation is revoked
2 with respect to the individual involved on
3 or after October 25, 2024, including such
4 a vaccine as updated or changed after that
5 date under a supplement to a biologics li-
6 cense application approved by the Food
7 and Drug Administration, the most recent
8 recommendation that was in effect with re-
9 spect to such vaccine and such individual
10 prior to such revocation.”.

11 (c) MEDICAID.—

12 (1) IN GENERAL.—Section 1905 of the Social
13 Security Act (42 U.S.C. 1396d) is amended—

14 (A) in subsection (a)(13)(B)—

15 (i) by striking “individual, approved”
16 and inserting “individual—

17 “(i) approved”; and

18 (ii) by adding at the end the following
19 new clause:

20 “(ii) for the period beginning on the
21 date of the enactment of this clause and
22 ending on December 31, 2029, approved
23 vaccines, and the administration of such
24 vaccines, that were recommended by such
25 advisory committee with respect to the in-

1 dividual involved as of October 25, 2024,
2 including such a vaccine as updated or
3 changed after that date under a supple-
4 ment to a biologics license application ap-
5 proved by the Food and Drug Administra-
6 tion.”; and

7 (B) in subsection (r)(1)(B)(iii), by—

8 (i) striking “section 1928(c)(2)(B)(i)”
9 and inserting “clause (i) of section
10 1928(c)(2)(B)”;

11 (ii) inserting “, subject to the limita-
12 tion described in clause (iii) of such sec-
13 tion” after “pediatric vaccines”.

14 (2) COVERAGE FOR PREGNANT INDIVIDUALS.—

15 Section 1902(a)(10) of the Social Security Act (42
16 U.S.C. 1396a(a)(10)) is amended in the matter fol-
17 lowing subparagraph (G) by inserting “medical as-
18 sistance for vaccines described in section
19 1905(a)(13)(B) and the administration of such vac-
20 cines,” after “complicate pregnancy,”.

21 (3) PROGRAM FOR DISTRIBUTION OF PEDIATRIC

22 VACCINES.—Section 1928 of the Social Security Act
23 (42 U.S.C. 1396s) is amended—

24 (A) in subsection (c)(2)(B)—

1 (i) in clause (i), by striking “clause
2 (ii)” and inserting “clauses (ii) and (iii)”;
3 and

4 (ii) by adding at the end the following
5 new clause:

6 “(iii) For the period beginning on the date
7 of the enactment of this clause and ending on
8 December 31, 2029, the provider will not take
9 into account any change in the schedule de-
10 scribed in clause (i) that removes the rec-
11 ommendation to administer a pediatric vaccine
12 with respect to the vaccine-eligible child in-
13 volved if such pediatric vaccine was rec-
14 ommended with respect to such child under
15 such schedule as of October 25, 2024, including
16 with respect to such pediatric vaccine as up-
17 dated or changed after that date under a sup-
18 plement to a biologics license application ap-
19 proved by the Food and Drug Administration.”;
20 and

21 (B) in subsection (e), by inserting “For
22 purposes of the preceding sentence, during the
23 period beginning on the date of the enactment
24 of this sentence and ending on December 31,
25 2029, the Secretary may not take into account

1 any revision of such list that occurs on or after
2 October 25, 2024, that removes a pediatric vac-
3 cine from such list if such vaccine was included
4 in such list as of such date, including with re-
5 spect to such vaccine as updated or changed
6 after that date under a supplement to a bio-
7 logics license application approved by the Food
8 and Drug Administration.” after the period at
9 the end.

10 (4) STATE FLEXIBILITY IN BENEFIT PACK-
11 AGES.—Section 1937(b) of the Social Security Act
12 (42 U.S.C. 1396u–7(b)) is amended by adding at
13 the end the following new paragraph:

14 “(9) COVERAGE OF ADULT VACCINES.—Not-
15 withstanding the previous provisions of this section,
16 a State may not provide for medical assistance
17 through enrollment of an individual with benchmark
18 coverage or benchmark-equivalent coverage under
19 this section unless such coverage includes (and does
20 not impose any deduction, cost sharing, or similar
21 charge for) the medical assistance described in sec-
22 tion 1905(a)(13)(B).”.

23 (d) CHIP.—Section 2103 of the Social Security Act
24 (42 U.S.C. 1397cc) is amended—

1 (1) in subsection (c), by adding at the end the
2 following new paragraph:

3 “(13) REQUIRED COVERAGE OF CERTAIN VAC-
4 CINES RECOMMENDED BY THE ADVISORY COM-
5 MITTEE ON IMMUNIZATION PRACTICES.—Regardless
6 of the type of coverage elected by a State under sub-
7 section (a), the child health assistance provided for
8 a targeted low-income child shall include coverage,
9 during the period beginning on the date of the en-
10 actment of this paragraph and ending on December
11 31, 2029, of vaccines, and the administration of
12 such vaccines, that had in effect a recommendation
13 from the Advisory Committee on Immunization
14 Practices of the Centers for Disease Control and
15 Prevention with respect to the child involved as of
16 October 25, 2024, including such a vaccine as up-
17 dated or changed after that date under a supplement
18 to a biologics license application approved by the
19 Food and Drug Administration.”; and

20 (2) in subsection (e)(2), by inserting “vaccines
21 described in subsection (c)(13) administered during
22 the period beginning on the date of the enactment
23 of such subsection and ending on December 31,

1 2029 (and the administration of such vaccines),” be-
2 fore “services described in section 1916(a)(2)(G)”.

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