

119TH CONGRESS  
1ST SESSION

# H. R. 6900

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

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## 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

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## 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.

**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.**

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

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

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

(b) PER CAPITA AMOUNT; MINIMUM AMOUNT.—Section 42(h)(3) of the Internal Revenue Code of 1986 is amended by striking subparagraphs (H) and (I) and inserting the following:

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

“(i) CALENDAR YEAR 2026.—For calendar year 2026, the per capita amount is \$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 “(II) the cost-of-living adjust-  
 2 ment determined under section 1(f)(3)  
 3 for such calendar year, determined by  
 4 substituting ‘calendar year 2026’ for  
 5 ‘calendar year 2016’ in subparagraph  
 6 (A)(ii) thereof.

7 Any amount increased under the preceding  
 8 sentence which is not a multiple of \$5,000  
 9 shall be rounded to the next lowest mul-  
 10 tiple of \$5,000.”.

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

14 **PART 2—REFORMS RELATING TO TENANT**  
 15 **ELIGIBILITY**

16 **SEC. 11201. AVERAGE INCOME TEST APPLICABILITY TO EX-**  
 17 **EMPT FACILITY BONDS.**

18 (a) IN GENERAL.—Paragraph (1) of section 142(d)  
 19 is amended—

20 (1) by striking “(A) or (B)” and inserting “(A),  
 21 (B), or (C)”, and

22 (2) by inserting after subparagraph (B) the fol-  
 23 lowing new subparagraph:

24 “(C) AVERAGE INCOME TEST.—A project  
 25 meets the requirements of this subparagraph if

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

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

“(iii) a building which was a qualified low-income building as of the last day of the year preceding the year in which such casualty occurred shall not cease to be a qualified low-income building solely because of such casualty.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to casualties occurring after December 31, 2025.

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

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

(b) LIMITATION ON ACQUISITION BASIS.—Subparagraph (C) of section 42(d)(2) is amended—

(1) by striking “For purposes of subparagraph (A), the adjusted basis” and inserting “For purposes 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                   “(ii) any local government contribu-  
 2                   tion to the project, except to the extent  
 3                   such contribution is taken into account as  
 4                   part of a broader consideration of the  
 5                   project’s ability to leverage outside funding  
 6                   sources, and is not prioritized over any  
 7                   other source of outside funding.”.

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

13 **SEC. 11307. INCREASE IN CREDIT FOR CERTAIN PROJECTS**  
 14 **DESIGNATED TO SERVE EXTREMELY LOW-IN-**  
 15 **COME HOUSEHOLDS.**

16           (a) **IN GENERAL.**—Paragraph (5) of section 42(d) is  
 17 amended by adding at the end the following new subpara-  
 18 graph:

19                   “(C) **INCREASE IN CREDIT FOR PROJECTS**  
 20 **DESIGNATED TO SERVE EXTREMELY LOW-IN-**  
 21 **COME HOUSEHOLDS.**—In the case of any build-  
 22 ing—

23                   “(i) 20 percent or more of the resi-  
 24 dential units (determined as if the imputed  
 25 income limitation applicable to such units

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.

**PART 4—REFORMS RELATING TO NATIVE**

**AMERICAN ASSISTANCE**

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

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

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

“(I) enrolled members of a tribe  
with respect to an Indian tribal government (including any agencies or instrumentalities of an Indian tribal government and any Alaska Native regional or village corporation, as defined in, or established pursuant to, the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.)), or

“(II) described in section 801(9)  
of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4221(9)).”.

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

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

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

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

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

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

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

3 SEC. 11701. TREATMENT OF VETERAN DISABILITY COM-  
4 PENSATION OR PENSION PAYMENTS FOR  
5 PURPOSES OF LOW INCOME HOUSING TAX  
6 CREDIT AND RESIDENTIAL RENTAL PROJECT  
7 BONDS.

8 (a) IN GENERAL.—Section 142(d)(2)(B) is amended  
9 by adding at the end the following new clause:

“(v) VETERAN DISABILITY COMPENSA-  
TION OR PENSION.—For purposes of deter-  
mining income under this subparagraph,  
payments of disability compensation or  
pension under chapter 11 or 15 of title 38,  
United States Code, shall be disregarded.”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to determinations made after the date of the enactment of this Act.

19       **PART 8—REFORMS RELATING TO CERTAIN**  
20       **OTHER POPULATIONS**

21 SEC. 11801. ADDITIONAL HOUSING CREDIT ALLOCATIONS  
22 FOR CERTAIN POPULATIONS WHO FACE  
23 UNIQUE BARRIERS TO AFFORDABLE HOUS-  
24 ING.

25 (a) IN GENERAL.—Section 42 of the Internal Rev-  
26 enue Code of 1986 is amended by redesignating subsection

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 INDIVIDUAL.—For purposes of this paragraph, the term  
7       ‘formerly justice-involved individual’ means an indi-  
8       vidual who faces barriers to obtaining housing as a  
9       result of being arrested, charged, or convicted of any  
10      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

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

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

(C) CONFORMING AMENDMENT.—Subparagraph (B) of section 42(i)(7) is amended by adding at the end the following: “In the case of a purchase of all of the partnership interests, the minimum purchase price under this subparagraph shall be an amount not less than the sum of the interests’ shares of the amount which would be determined with respect to the property under this subparagraph without regard to this sentence.”.

(2) PROPERTY INCLUDES ASSETS RELATING TO 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(c)(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 “(3) with respect to the application of sub-  
2 section (b)(4),

3 “(4) with respect to information reporting on  
4 allocations of qualified conversion credit dollar  
5 amounts,

6 “(5) providing rules for making a determination  
7 as to whether an area is described in subsection  
8 (e)(4)(B), and

9 “(6) which encourages housing credit agencies  
10 to allocate, to the extent practicable, qualified con-  
11 version credit dollar amounts to non-metropolitan  
12 counties within a State in proportion to the non-  
13 metropolitan population of the State, but only to the  
14 extent it is demonstrated within such non-metropoli-  
15 tan counties that there are sufficient qualified con-  
16 version expenditures to warrant such allocations.”.

17 (b) TRANSFERABILITY OF CREDIT.—Section  
18 6418(f)(1)(A) is amended by adding at the end the fol-  
19 lowing new clause:

20 “(xiii) The affordable housing conver-  
21 sion credit determined under section  
22 48F.”.

23 (c) CONFORMING AMENDMENTS.—

24 (1) Section 46 is amended in paragraph (6) by  
25 striking “and” at the end, in paragraph (7) by strik-

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 redesign-  
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-



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

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

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

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

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

“(A) CERTIFICATION.—

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

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

“(II) the taxpayer’s name, ad-  
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(c) 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-

ferred to in clause (i) or the prior taxable year.

“(F) ALLOCATION OF CREDIT ON A PROJECT BASIS.—

“(i) IN GENERAL.—In the case of a project which includes (or will include) more than 1 building, an allocation meets the requirements of this subparagraph if—

“(I) the allocation is made to the project for a calendar year during the project period,

“(II) the allocation only applies to buildings placed in service during or after the calendar year for which the allocation is made, and

“(III) the portion of such allocation which is allocated to any building in such project is specified not later than the close of the calendar year in which the building is placed in service.

“(ii) PROJECT PERIOD.—For purposes of clause (i), the term ‘project period’ means the period—

“(I) beginning with the 1st calendar 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 aggre-  
2 gate amounts described in paragraph (10)(A)(i)  
3 with respect to all elections made for such cal-  
4 endar 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 cal-  
8 endar 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 allo-  
13 cation 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 al-  
19 location recipient.

20 “(D) STATE MAY PROVIDE FOR DIF-  
21 FERENT 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-

graph (7)) shall be reduced by the amount specified in such election,

“(ii) the amount determined under paragraph (7) for such calendar year shall be reduced by the amount specified in such election, and

“(iii) the amount determined under section 42(h)(3)(C)(ii) for such calendar year shall be increased by the sum of the amounts specified in clauses (i) and (ii), except that any amount specified under clause (ii)—

“(I) may only be allocated under such section to qualified low-income buildings (as defined in section 42) located in a rural area (as defined in paragraph (7)), and

“(II) shall not be taken into account for purposes of determining the unused housing credit ceiling under the second sentence of section 42(h)(3)(C).

“(B) TIME AND MANNER FOR MAKING 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

(D)(ii)(II) and (D)(iv)(I) thereof), section 49(a)(2), and section 49(b)(1) shall apply in determining the qualified basis of any building in the same manner as such sections apply in determining the credit base of property.

“(2) SPECIAL RULES FOR DETERMINING QUALIFIED PERSON.—For purposes of paragraph (1)—

“(A) IN GENERAL.—If the requirements of subparagraphs (B), (C), and (D) are met with respect to any financing borrowed from a qualified nonprofit organization, the determination of whether such financing is qualified commercial financing with respect to any qualified middle-income building shall be made without regard to whether such organization—

“(i) is actively and regularly engaged in the business of lending money, or

“(ii) is a person described in section 49(a)(1)(D)(iv)(II).

“(B) FINANCING SECURED BY PROPERTY.—The requirements of this subparagraph are met with respect to any financing if such financing is secured by the qualified middle-income building, except that this subparagraph 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       “(l) 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:

<b>“If the taxpayer’s adjusted gross income is:</b>	<b>The applicable percentage is:</b>
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 agreements with States and local governments, tribal gov-  
 2 ernments, and possessions of the United States: Provided,  
 3 that such amount shall be available in addition to any  
 4 amounts otherwise available: Provided further, that these  
 5 funds may be awarded by Federal agencies to State and  
 6 local governments, tribal governments, and possessions of  
 7 the United States, and private entities, including organiza-  
 8 tions dedicated to free tax return preparation.

## 9 **TITLE II—LOWERING ENERGY** 10 **COSTS**

### 11 **Subtitle A—Lowering Costs** 12 **Through an All-of-the-above En-** 13 **ergy Policy**

#### 14 **SEC. 21001. CLEAN ENERGY PRODUCTION CREDIT.**

15 (a) RESTORATION OF PHASE-OUT.—Section  
 16 45Y(d)(3) is amended by striking “calendar year 2032.”  
 17 and inserting “means the later of—

18 “(A) the calendar year in which the Sec-  
 19 retary determines that the annual greenhouse  
 20 gas emissions from the production of electricity  
 21 in the United States are equal to or less than  
 22 25 percent of the annual greenhouse gas emis-  
 23 sions from the production of electricity in the  
 24 United States for calendar year 2022, or

25 “(B) 2032.”.

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           (2) The heading of section 45X(b)(3) is amend-  
2           ed by striking “AND TERMINATION”.

3           (3) Section 45X(b)(3)(A) is amended by strik-  
4           ing “subparagraphs (C) and (D)” and inserting  
5           “subparagraph (C)”.

6           (4) The heading of section 45X(b)(3)(C) is  
7           amended by striking “OTHER THAN METALLURGICAL  
8           COAL”.

9           (5) The heading of section 45X(b)(3)(C)(ii) is  
10          amended by striking “OTHER THAN METALLURGICAL  
11          COAL”.

12          (6) Section 45X(b)(3) is amended by striking  
13          subparagraph (E).

14          (d) EFFECTIVE DATE.—The amendments made by  
15          this section shall take effect as if included in section  
16          70514 of Public Law 119–21.

17       **SEC. 21004. REPEAL OF RESTRICTION ON THE EXTENSION**  
18                               **OF ADVANCE ENERGY PROJECT CREDIT PRO-**  
19                               **GRAM.**

20          (a) IN GENERAL.—Section 48C(e)(3)(C) is amended  
21          by striking “shall not be increased” and inserting “shall  
22          be increased”.

23          (b) EFFECTIVE DATE.—The amendment made by  
24          this section shall take effect as if included in section  
25          70515 of Public Law 119–21.

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 (c)(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-

phanumeric) is unique to such bicycle (by utilizing numbers or letters which are unique to such manufacturer or by such other method as the Secretary may provide),

“(B) label such bicycle with such number in such manner as the Secretary may provide, and

“(C) make periodic written reports to the Secretary (at such times and in such manner as the Secretary may provide) of the vehicle identification numbers so assigned and including such information as the Secretary may require with respect to the qualified electric bicycle to which such number was so assigned.

“(f) SPECIAL RULES.—

“(1) BASIS REDUCTION.—For purposes of this subtitle, the basis of any property for which a credit is allowable under subsection (a) shall be reduced by the amount of such credit so allowed.

“(2) NO DOUBLE BENEFIT.—The amount of any deduction or other credit allowable under this chapter for a qualified electric bicycle for which a credit is allowable under subsection (a) shall be reduced by the amount of credit allowed under such 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 **iency**

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-

tion 168(m)(3)(B), except that for purposes of this section such term includes any video display device and any computer device (including computer peripherals, such as keyboards, mice, speakers, cables, printers, and scanners).

“(3) RECYCLE.—The term ‘recycle’ has the meaning given such term in section 168(m)(3)(C), except that for purposes of this section such term does not include—

“(A) any method of sorting, processing, and aggregating materials from solid waste that—

“(i) does not preserve the original quality of such materials, and

“(ii) results in the aggregated material not being usable—

“(I) for the initial purpose (or a substantially similar purpose) of such materials, or

“(II) as feedstock in lieu of virgin feedstock in the production of specification grade commodities, or

“(B) the primary use of waste or qualified reuse and recyclable materials—

“(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 redes-  
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           “(3) NO INCREASE IN BASIS.—Rules similar to  
2           the rules of subsection (g)(3) shall apply in the case  
3           of this subsection.”.

4           (b) CONFORMING AMENDMENTS.—

5           (1) Section 139(d) is amended by striking “and  
6           qualified” and inserting “, qualified catastrophe  
7           mitigation payments, and qualified”.

8           (2) Section 139(i) (as redesignated by sub-  
9           section (a)) is amended by striking “or qualified”  
10          and inserting “, qualified catastrophe mitigation  
11          payment, or qualified”.

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

15   **SEC. 24004. EXCLUSION FROM GROSS INCOME OF CERTAIN**  
16                           **EMERGENCY AGRICULTURAL ASSISTANCE.**

17          (a) IN GENERAL.—Section 139, as amended by the  
18          preceding provisions of this Act, is amended by redesign-  
19          ating subsection (i) as subsection (j) and by inserting  
20          after subsection (h) the following new subsection:

21          “(i) CERTAIN AGRICULTURAL ASSISTANCE.—For  
22          purposes of this section, the term ‘qualified disaster relief  
23          payment’ shall include any assistance received under any  
24          of the following:

“(3) Noninsured crop assistance under section  
196 of the Federal Agriculture Improvement and  
Reform Act of 1996 (7 U.S.C. 7333).

13 “(5) Assistance under title IV of the Agricul-  
14 tural Credit Act of 1978 (16 U.S.C. 2201 et seq.).

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

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is amended by inserting after section 27 the following new section:

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(c)(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           (3) The table of sections for subpart E of part  
 2           IV of subchapter A of chapter 1, as amended by the  
 3           preceding provisions of this Act, is amended by in-  
 4           serting after the item relating to section 48F the fol-  
 5           lowing new item:

“Sec. 48G. Qualifying electric power transmission line credit.”.

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

9       **SEC. 24007. QUALIFYING ADVANCED BATTERY PROJECT**  
 10                               **CREDIT.**

11       (a) IN GENERAL.—Subpart E of part IV of sub-  
 12       chapter A of chapter 1, as amended by the preceding pro-  
 13       visions of this Act, is amended by inserting after section  
 14       48G the following new section:

15       **“SEC. 48H. QUALIFYING ADVANCED BATTERY PROJECT**  
 16                               **CREDIT.**

17       “(a) IN GENERAL.—For purposes of section 46, the  
 18       qualifying advanced battery project credit for any taxable  
 19       year is an amount equal to 30 percent of the qualified  
 20       investment for such taxable year with respect to any quali-  
 21       fying advanced battery project of the taxpayer.

22       “(b) QUALIFIED INVESTMENT.—

23               “(1) IN GENERAL.—For purposes of subsection  
 24       (a), the qualified investment for any taxable year is  
 25       the basis of eligible property placed in service by the

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        serting 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.

**TITLE III—CHILD AND  
DEPENDENT CARE  
Subtitle A—Child Tax Credit**

**SEC. 31001. ESTABLISHMENT OF REFUNDABLE CHILD TAX  
CREDIT WITH MONTHLY ADVANCE PAYMENT.**

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 is amended by inserting after section 24 the following new sections:

**“SEC. 24A. MONTHLY CHILD TAX CREDIT.**

“(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year the sum of the monthly specified child allowances determined with respect to the taxpayer under subsection (b) for each calendar month during such taxable year.

“(b) MONTHLY SPECIFIED CHILD ALLOWANCE.—

“(1) IN GENERAL.—For purposes of this section, the term ‘monthly specified child allowance’ means, with respect to any taxpayer for any calendar month, the sum of—

“(A) \$300, with respect to each specified child of such taxpayer who will (as of the close of such month) have attained age 6, plus

“(B) 120 percent of the dollar amount in 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)  $\frac{1}{2}$  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-

graph) be a specified child of 2 or more parents of the individual for such month, the parent of the individual determined under subparagraph (B)),

“(ii) if the individual is not a specified child of any parent of the individual (determined without regard to this paragraph), the specified relative of the individual with the highest adjusted gross income for the taxable year which includes such month, or

“(iii) if the individual is neither a specified child of any parent of the individual nor a specified child of any specified relative of the individual (in both cases determined without regard to this paragraph), the taxpayer with the highest adjusted gross income for the taxable year which includes such month.

“(B) TIE-BREAKER AMONG PARENTS.—If any individual would (but for this paragraph) be the specified child of 2 or more parents of the individual for any month, such child shall 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-

ent and any specified relative of the individual for any taxable year which includes such month (determined without regard to any parent and any specified relative with respect to whom such individual is not a specified child, determined without regard to subparagraphs (A) and (B) and after application of this subparagraph).

“(E) TREATMENT OF JOINT RETURNS.—

For purposes of this paragraph, with respect to any month, the adjusted gross income of each person who files a joint return for the taxable year which includes such month is the total adjusted gross income shown on the joint return for the taxable year.

“(F) PARENT.—Except as otherwise provided by the Secretary, the term ‘parent’ shall have the same meaning as when used in section 152(c)(4).

“(5) TREATMENT OF TEMPORARY ABSENCES.—

Except as provided in regulations or other guidance issued by the Secretary, for purposes of this subsection—

“(A) IN GENERAL.—In the case of any individual’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 (c)(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(c)(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-

tion 24A(c)(7)) for at least the first 2 months following the reference month referred to in paragraph (1)(C).

“(B) EXPEDITED PROCESS; APPEALS.—  
The procedures established under paragraph (1)(C) shall include—

“(i) an expedited process for taxpayers who meet such requirements as the Secretary may establish for such expedited process, and

“(ii) procedures for adjudicating an appeal of an adverse decision.

“(C) INFORMATION RECEIPT AND COORDINATION.—For purposes of obtaining information relevant to any adjudication under this paragraph, the Secretary may enter into agreements to receive information from, and otherwise coordinate with—

“(i) Federal agencies (including the Social Security Administration and the Department of Agriculture),

“(ii) any State, local government, Tribal government, or possession of the 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      LENCE 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 “(l) 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

7 (e) CREDIT MADE REFUNDABLE.—Section 21(g) is  
8 amended to read as follows:

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

(a) IN GENERAL.—Section 129(a)(2)(A) is amended  
by striking “\$5,000 (\$2,500” and inserting “\$10,000  
(\$5,000”.

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 nated) 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.



**TITLE IV—EDUCATION AND  
WORKFORCE TRAINING  
Subtitle A—Ensuring Affordable  
Higher Education**

**SEC. 41001. AMERICAN OPPORTUNITY CREDIT EXPANDED  
TO 6 YEARS, MADE TEMPORARILY FULLY RE-  
FUNDABLE.**

(a) IN GENERAL.—Section 25A(i) is amended—

(1) in subsection (b)(2)—

(A) in subparagraph (A)—

(i) in the heading, by striking “4 TAX-  
ABLE YEARS” and inserting “6 TAXABLE  
YEARS”, and

(ii) by striking “4 prior taxable years”  
and inserting “6 taxable years”, and

(B) in subparagraph (C)—

(i) in the heading, by striking “FIRST  
4 YEARS” and inserting “FIRST 6 YEARS”,  
and

(ii) by striking “the first 4 years” and  
inserting “the first 6 years”, and

(2) by redesignating subsection (j) as sub-  
section (k) and by inserting after subsection (i) the  
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—

(A) striking “made by an organization described in paragraph (2)(D)” and inserting “made by an organization described in paragraph (1)(C) or made by a private education lender (as defined in section 140(a)(7) of the Truth in Lending Act)”, and

(B) inserting “or for such private education lender” after “either such organization”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to discharges of loans after December 31, 2025.

**SEC. 41006. STUDENT LOAN INTEREST DEDUCTION LIMITATION APPLIED SEPARATELY TO EACH SPOUSE.**

(a) **IN GENERAL.**—Section 221(b)(1) is amended to read as follows:

“(1) **IN GENERAL.**—The interest taken into account with respect to a taxpayer for a taxable year under subsection (a) for indebtedness incurred by an individual shall not exceed \$2,500.”.

(b) **CONFORMING AMENDMENTS.**—Section 221 is amended—

(1) in subsection (b), by striking the heading 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 (b) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply to expenses incurred in taxable  
 6 years beginning after December 31, 2025.

7 **SEC. 42002. ALLOWANCE OF DEDUCTION FOR CERTAIN EX-**  
 8 **PENSES OF THE TRADE OR BUSINESS OF**  
 9 **BEING AN EMPLOYEE.**

10 (a) ABOVE-THE-LINE DEDUCTION FOR UNION DUES  
 11 AND EXPENSES.—Section 62(a)(1) is amended by adding  
 12 at the end the following new sentence: “The limitation  
 13 under the preceding sentence shall not apply to deductions  
 14 which are attributable to a trade or business consisting  
 15 of the performance of services by the taxpayer as an em-  
 16 ployee if such deductions are for union dues and ex-  
 17 penses.”.

18 (b) ALLOWANCE OF MISCELLANEOUS ITEMIZED DE-  
 19 Duction FOR OTHER EXPENSES OF THE TRADE OR  
 20 BUSINESS OF BEING AN EMPLOYEE.—Section 67(g) is  
 21 amended—

22 (1) by striking “2025.—Notwithstanding sub-  
 23 section (a),” and inserting “2025.—

24 “(1) IN GENERAL.—Notwithstanding subsection  
 25 (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-

ginning in a calendar year after 2026, the  
\$100,000 amount under clause (ii) shall be  
increased by an amount equal to—

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

“(II) the cost-of-living adjust-  
ment determined under section 1(f)(3)  
for the calendar year in which the tax-  
able year begins, determined by sub-  
stituting ‘calendar year 2025’ for ‘cal-  
endar year 2016’ in subparagraph  
(A)(ii) thereof.

If any amount after adjustment under the  
preceding sentence is not a multiple of  
\$1,000, such amount shall be rounded to  
the nearest multiple of \$1,000.”.

(b) CLARIFICATION REGARDING COMMISSION PAID  
TO PERFORMING ARTIST’S MANAGER OR AGENT.—Sec-  
tion 62(a)(2)(B)(i), as amended by subsection (a), is  
amended by inserting before the period at the end the fol-  
lowing: “, including any commission paid to the per-  
forming artist’s manager or agent”.

(c) INCREASE IN THRESHOLD FOR DETERMINING  
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                ceding 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 serting 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 INDIV-  
14          IDUALS.—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-

centage by which the average per capita premium for health insurance coverage in the United States for the preceding calendar year (as estimated by the Secretary not later than October 1 of such preceding calendar year) exceeds such average per capita premium for 2024.”.

**SEC. 50004. REQUIRING COVERAGE OF CERTAIN IMMUNIZATIONS RECOMMENDED BY THE ADVISORY COMMITTEE ON IMMUNIZATION PRACTICES.**

(a) GROUP HEALTH PLANS AND HEALTH INSURANCE COVERAGE.—

(1) PHSA.—

(A) IN GENERAL.—Part D of title XXVII of the Public Health Service Act (42 U.S.C. 300gg–111 et seq.) is amended by adding at the end the following new section:

**“SEC. 2799A–11. COVERAGE OF CERTAIN IMMUNIZATIONS RECOMMENDED BY THE ADVISORY COMMITTEE ON IMMUNIZATION PRACTICES.**

“(a) IN GENERAL.—With respect to plan years occurring during the date of the enactment of this section, or beginning on or after the date of the enactment of this section and before January 1, 2030, a group health plan 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 **OMMENDED 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 **OMMENDED 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-

dividual involved as of October 25, 2024,  
including such a vaccine as updated or  
changed after that date under a supple-  
ment to a biologics license application ap-  
proved by the Food and Drug Administra-  
tion.”; and

(B) in subsection (r)(1)(B)(iii), by—

(i) striking “section 1928(c)(2)(B)(i)”  
and inserting “clause (i) of section  
1928(c)(2)(B)”;

(ii) inserting “, subject to the limita-  
tion described in clause (iii) of such sec-  
tion” after “pediatric vaccines”.

(2) COVERAGE FOR PREGNANT INDIVIDUALS.—

Section 1902(a)(10) of the Social Security Act (42  
U.S.C. 1396a(a)(10)) is amended in the matter fol-  
lowing subparagraph (G) by inserting “medical as-  
sistance for vaccines described in section  
1905(a)(13)(B) and the administration of such vac-  
cines,” after “complicate pregnancy,”.

(3) PROGRAM FOR DISTRIBUTION OF PEDIATRIC

VACCINES.—Section 1928 of the Social Security Act  
(42 U.S.C. 1396s) is amended—

(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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