II

119TH CONGRESS
2D SESSION

S. 3605

To amend the Internal Revenue Code of 1986 to allow a portion of general business credit carryforwards to be transferred by certain taxpayers affected by federally declared disasters and other incidents.

IN THE SENATE OF THE UNITED STATES

JANUARY 8 (legislative day, JANUARY 7), 2026

Mr. GRAHAM (for himself and Ms. CANTWELL) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend the Internal Revenue Code of 1986 to allow a portion of general business credit carryforwards to be transferred by certain taxpayers affected by federally declared disasters and other incidents.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Disaster Zone Energy Affordability and Investment Act''.

SEC. 2. CERTAIN CARRYFORWARDS OF GENERAL BUSINESS CREDIT TREATED AS TRANSFERRABLE CREDITS FOR TAXPAYERS AFFECTED BY CERTAIN DISASTERS.

(a) IN GENERAL.—Section 6418(f)(1)(A) of the Internal Revenue Code of 1986 is amended by adding at the end the following new clause:

"(xiii) so much of the amount of the applicable general business credit carryforwards as does not exceed the eligible expenditures made by the taxpayer during the taxable year.".

(b) APPLICABLE GENERAL BUSINESS CREDIT CARRYFORWARDS.—Section 6418(f) of such Code is amended by adding at the end the following new paragraph:

"(3) DEFINITIONS AND RULES RELATED TO APPLICABLE GENERAL BUSINESS CREDIT CARRYFORWARDS.—For purposes of paragraph (1)(A)(xiii)—

"(A) IN GENERAL.—The term 'applicable general business credit carryforwards' means, with respect to any taxable year, the sum of the amounts described in section 38(a)(1) which—

"(i) are carried to any taxable year beginning after December 31, 2023, and "(ii) attributable to any credit described in clauses (ii) and (ix) of subparagraph (A).

"(B) ELIGIBLE EXPENDITURES.—

"(i) IN GENERAL.—The term 'eligible expenditures' means amounts paid or incurred by the taxpayer—

"(I) for the purpose of carrying out a trade or business in a qualified disaster area, and

"(II) on or before the last day of the second calendar year following the calendar year in which the declaration or determination described in clause (ii) with respect to such qualified disaster area was made.

"(ii) QUALIFIED DISASTER AREA.—The term 'qualified disaster area' means—

"(I) any area with respect to which a major disaster was declared after December 31, 2023, by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, or

"(II) any area which is determined by the Governor of a State to be an area affected by a State declared disaster (as defined in section 165(h)(5)(C) of the Internal Revenue Code of 1986 (as added by Public Law 119–21)) if the incident giving rise to the State declared disaster occurred after December 31, 2023.

"(C) APPLICATION TO CONSOLIDATED GROUPS.—All members of an affiliated group filing a consolidated return shall be treated as one taxpayer.".

(c) CONFORMING AMENDMENT.—Section 6418(f)(1)(C) of such Code is amended by striking "The term" and inserting "Except as provided in paragraph (1)(A)(xiii), the term".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(e) SPECIAL RULE.—Notwithstanding section 6418(g)(1) of the Internal Revenue Code of 1986, the Secretary of the Treasury (or the Secretary's delegate) shall not require registration with respect to the portion of any applicable general business credit carryforwards (as defined in section 6418(f)(3) of such Code, as added by this section) which relates to a taxable year beginning with or before the taxable year that the online registration tool for such registration has been updated to account for the provisions of this section.

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