119TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
119–106

ONE BIG BEAUTIFUL BILL ACT

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

[TO ACCOMPANY H.R. 1]

together with

MINORITY VIEWS

Book 2 of 2

MAY 20, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC, May 14, 2025.

Hon. JODEY C. ARRINGTON,
Chairman, Committee on the Budget,
House of Representatives, Washington, DC.

DEAR CHAIRMAN ARRINGTON: Pursuant to section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, I hereby transmit these recommendations which have been approved by vote of the Committee on Ways and Means to the House Committee on the Budget. This submission is in order to comply with reconciliation directives included in H. Con. Res. 14, the Concurrent Resolution on the Budget for Fiscal Year 2025, and is consistent with section 310 of the Congressional Budget Act of 1974.

Sincerely,

JASON SMITH,
Chairman.

Amendment in the Nature of a Substitute

to Committee Print

Providing for Reconciliation

Offered by Mr. Smith of Missouri

Strike title XI and insert the following:

TITLE XI—COMMITTEE ON WAYS AND MEANS, "THE ONE, BIG, BEAUTIFUL BILL"

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

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

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

Subtitle A—Make American Families and Workers Thrive Again

PART 1—PERMANENTLY PREVENTING TAX HIKES ON AMERICAN FAMILIES AND WORKERS

SEC. 110001. EXTENSION OF MODIFICATION OF RATES.

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

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

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

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

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

SEC. 110002. EXTENSION OF INCREASED STANDARD DEDUCTION AND TEMPORARY ENHANCEMENT.

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

(1) by striking ", and before January 1, 2026" in the matter preceding subparagraph (A), and

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

(b) TEMPORARY ADDITIONAL INCREASE IN STANDARD DEDUCTION.—Section 63(c)(7) is amended by adding at the end the following new subparagraph:

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

"(i) the dollar amount otherwise in effect under paragraph (2)(B) shall be increased by $1,500, and

"(ii) the dollar amount otherwise in effect under paragraph (2)(C) shall be increased by $1,000.".

(c) RECALCULATION OF INFLATION ADJUSTMENT.—Section 63(c)(7)(B)(ii)(II) is amended by striking ", determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof".

(d) EFFECTIVE DATE.—

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

(2) TEMPORARY ADDITIONAL INCREASE IN STANDARD DEDUCTION.—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2024.

SEC. 110003. TERMINATION OF DEDUCTION FOR PERSONAL EXEMPTIONS.

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

(1) by striking "and before January 1, 2026", and

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

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

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

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

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

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

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

"(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting—

"(A) in the case of taxable years beginning after December 31, 2024, and before December 31, 2028, '$2,500' for '$1,000', or

"(B) in the case of any subsequent taxable year, '$2,000' for '$1,000'.".

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

"(7) SOCIAL SECURITY NUMBER REQUIRED.—

"(A) IN GENERAL.—No credit shall be allowed under this section to a taxpayer with respect to any qualifying child unless the taxpayer includes on the return of tax for the taxable year—

"(i) such individual's social security number,

"(ii) the social security number of such qualifying child, and

"(iii) if the individual is married, the social security number of such individual's spouse.

"(B) SOCIAL SECURITY NUMBER.—For purposes of this paragraph, the term 'social security number' means a social security number issued to an individual by the Social Security Administration, but only if the social security number is issued—

"(i) to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act, and

"(ii) before the due date for such return.

"(C) MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this section.".

(d) INFLATION ADJUSTMENTS.—

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

"(i) INFLATION ADJUSTMENTS.—

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

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof.

"(2) SPECIAL RULE FOR ADJUSTMENT OF CREDIT AMOUNT.—In the case of a taxable year beginning after 2028, the $2,000 amount in subsection (h)(2)(B), shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2024' for '2016' in subparagraph (A)(ii) thereof.

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

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

"(5) MAXIMUM AMOUNT OF REFUNDABLE CREDIT.—The amount determined under subsection (d)(1)(A) with respect to any qualifying child shall not exceed $1,400, and such sub-

section shall be applied without regard to paragraph (4) of this subsection.".

(f) TREATMENT OF CERTAIN BENEFITS OF MEMBERS OF RELIGIOUS AND APOSTOLIC ASSOCIATIONS AS EARNED INCOME.—Section 24(d)(1) is amended by adding at the end the following: "For purposes of subparagraph (B), any amount treated as a dividend received under the last sentence of section 501(d) shall be treated as earned income which is taken into account in computing taxable income for the taxable year.".

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

SEC. 110005. EXTENSION OF DEDUCTION FOR QUALIFIED BUSINESS INCOME AND PERMANENT ENHANCEMENT.

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

(b) INCREASE IN DEDUCTION.—Subsections (a)(2), (b)(1)(B), and (b)(2)(A) of section 199A are each amended by striking "20 percent" and inserting "23 percent".

(c) MODIFICATION OF LIMITATIONS BASED ON TAXABLE INCOME.—

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

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

"(A) EXCEPTION FROM LIMITATIONS.—In the case of any taxpayer whose taxable income for the taxable year does not exceed the threshold amount—

"(i) paragraph (2) shall be applied without regard to subparagraph (B), and

"(ii) a specified service trade or business shall not fail to be treated as a qualified trade or business solely by reason of subsection (d)(1)(A).

"(B) PHASE-IN OF LIMITATIONS.—In the case of any taxpayer whose taxable income for the taxable year exceeds the threshold amount, the sum described in paragraph (1)(A) (determined without regard to this subparagraph) shall instead be an amount (if greater) equal to the excess (if any) of—

"(i) the sum described in paragraph (1)(A) (determined by applying the rules of clauses (i) and (ii) of subparagraph (A)), over

"(ii) the limitation phase-in amount.

"(C) LIMITATION PHASE-IN AMOUNT.—For purposes of subparagraph (B), the limitation phase-in amount shall be an amount equal to 75 percent of the excess (if any) of—

"(i) the taxable income of the taxpayer for the taxable year, over

"(ii) the threshold amount.".

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

(d) DEDUCTION FOR QUALIFIED BUSINESS INCOME TO APPLY TO CERTAIN INTEREST DIVIDENDS OF QUALIFIED BUSINESS DEVELOPMENT COMPANIES.—

(1) IN GENERAL.—Subsections (b)(1)(B) and (c)(1) of section 199A are each amended by inserting ", qualified BDC interest dividends," after "qualified REIT dividends".

(2) QUALIFIED BDC INTEREST DIVIDEND DEFINED.—Section 199A(e) is amended by adding at the end the following new paragraph:

"(5) QUALIFIED BDC INTEREST DIVIDEND.—

"(A) IN GENERAL.—The term 'qualified BDC interest dividend' means any dividend from an electing business development company received during the taxable year which is attributable to net interest income of such company which is properly allocable to a qualified trade or business of such company.

"(B) ELECTING BUSINESS DEVELOPMENT COMPANY.—For purposes of this paragraph, the term 'electing business development company' means a business development company (as defined in section 2(a) of the Investment Company Act of 1940) which has an election in effect under section 851 to be treated as a regulated investment company.".

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

(1) by striking "2018" and inserting "2025", and

(2) in clause (ii), by striking ", determined by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof".

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

SEC. 110006. EXTENSION OF INCREASED ESTATE AND GIFT TAX EXEMPTION AMOUNTS AND PERMANENT ENHANCEMENT.

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

(1) in subparagraph (A) by striking "$5,000,000" and inserting "$15,000,000",

(2) in subparagraph (B)—

(A) in the matter preceding clause (i), by striking "2011" and inserting "2026", and

(B) in clause (ii), by striking "calendar year 2010" and inserting "calendar year 2025", and

(3) by striking subparagraph (C).

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

SEC. 110007. EXTENSION OF INCREASED ALTERNATIVE MINIMUM TAX EXEMPTION AND PHASE-OUT THRESHOLDS.

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

(1) in subparagraph (A), by striking ", and before January 1, 2026", and

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

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

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

(a) IN GENERAL.—Section 163(h)(3)(F) is amended—

(1) in clause (i), by striking ", and before January 1, 2026",

(2) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively, and

(3) by striking "2018 THROUGH 2025" in the heading and inserting "BEGINNING AFTER 2017".

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

SEC. 110009. EXTENSION OF LIMITATION ON CASUALTY LOSS DEDUCTION.

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

(1) in subparagraph (A), by striking "and before January 1, 2026,", and

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

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

SEC. 110010. TERMINATION OF MISCELLANEOUS ITEMIZED DEDUCTION.

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

(1) by striking ", and before January 1, 2026", and

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

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

SEC. 110011. LIMITATION ON TAX BENEFIT OF ITEMIZED DEDUCTIONS.

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

"SEC. 68. LIMITATION ON TAX BENEFIT OF ITEMIZED DEDUCTIONS.

"(a) IN GENERAL.—In the case of an individual, the amount of the itemized deductions otherwise allowable for the taxable year (determined without regard to this section) shall be reduced by 2/37 of the lesser of—

"(1) such amount of itemized deductions, or

"(2) so much of the taxable income of the taxpayer for the taxable year (determined without regard to this section and increased by such amount of itemized deductions) as exceeds the dollar amount at which the 37 percent rate bracket under section 1 begins with respect to the taxpayer.

"(b) COORDINATION WITH OTHER LIMITATIONS.—This section shall be applied after the application of any other limitation on the allowance of any itemized deduction.".

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

SEC. 110012. TERMINATION OF QUALIFIED BICYCLE COMMUTING REIMBURSEMENT EXCLUSION.

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

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

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

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

(1) by striking ", and before January 1, 2026", and

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

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

(1) by striking ", and before January 1, 2026", and

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

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

SEC. 110014. EXTENSION OF LIMITATION ON WAGERING LOSSES.

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

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

SEC. 110015. EXTENSION OF INCREASED LIMITATION ON CONTRIBUTIONS TO ABLE ACCOUNTS AND PERMANENT ENHANCEMENT.

(a) IN GENERAL.—Section 529A(b)(2)(B) is amended—

(1) in clause (i), by inserting "(determined by substituting '1996' for '1997' in paragraph (2)(B) thereof)" after "section 2503(b)", and

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

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to contributions made after December 31, 2025.

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

SEC. 110016. EXTENSION OF SAVERS CREDIT ALLOWED FOR ABLE CONTRIBUTIONS.

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

"(1) IN GENERAL.—The term 'qualified retirement savings contributions' means, with respect to any taxable year, the sum of—

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

"(B) in the case of any taxable year beginning before January 1, 2027—

"(i) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

"(ii) the amount of—

"(I) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

"(II) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

"(iii) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).".

(b) COORDINATION WITH SECURE 2.0 ACT OF 2022 AMENDMENT.—Paragraph (1) of section 103(e) of the SECURE 2.0 Act of 2022 is repealed, and the Internal Revenue Code of 1986 shall be applied and administered as though such paragraph were never enacted.

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

SEC. 110017. EXTENSION OF ROLLOVERS FROM QUALIFIED TUITION PROGRAMS TO ABLE ACCOUNTS PERMITTED.

(a) IN GENERAL.—Section 529(c)(3)(C)(i)(III) is amended by striking "before January 1, 2026,".

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

SEC. 110018. EXTENSION OF TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE SINAI PENINSULA AND ENHANCEMENT TO INCLUDE ADDITIONAL AREAS.

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

(b) KENYA, MALI, BURKINA FASO, AND CHAD INCLUDED AS HAZARDOUS DUTY AREAS.—Section 11026(b) of Public Law 115–97 is amended to read as follows:

"(b) QUALIFIED HAZARDOUS DUTY AREA.—For purposes of this section, the term 'qualified hazardous duty area' means—

"(1) the Sinai Peninsula of Egypt, if as of December, 22, 2017, any member of the Armed Forces of the United States is entitled to special pay under section 310 of title 37, United States Code (relating to special pay; duty subject to hostile fire or imminent danger), for services performed in such location, and

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

Such term includes any such location only during the period such entitlement is in effect with respect to such location.".

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

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

SEC. 110019. EXTENSION OF EXCLUSION FROM GROSS INCOME OF STUDENT LOANS DISCHARGED ON ACCOUNT OF DEATH OR DISABILITY.

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

"(5) DISCHARGES ON ACCOUNT OF DEATH OR DISABILITY.—

"(A) IN GENERAL.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income for such taxable year by reason of the discharge (in whole or in part) of any loan described in subparagraph (B), if such discharge was—

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

"(ii) pursuant to section 464(c)(1)(F) of such Act, or

"(iii) otherwise discharged on account of death or total and permanent disability of the student.

"(B) LOANS DISCHARGED.—A loan is described in this subparagraph if such loan is—

"(i) a student loan (as defined in paragraph (2)), or

"(ii) a private education loan (as defined in section 140(a) of the Consumer Credit Protection Act (15 U.S.C. 1650(a)).

"(C) SOCIAL SECURITY NUMBER REQUIREMENT.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply with respect to any discharge during any taxable year unless the taxpayer includes on the return of tax for such taxable year—

"(I) the taxpayer's social security number, and

"(II) if the taxpayer is married, the social security number of such taxpayers's spouse.

"(ii) SOCIAL SECURITY NUMBER.—For purposes of this subparagraph, the term 'social security number' has the meaning given such term in section 24(h)(7).

"(iii) MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this subparagraph.".

(b) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2) is amended by striking "and" at the end of subparagraph (U), by striking the period at the end of subparagraph (V) and inserting ", and", and by inserting after subparagraph (V) the following new subparagraph:

"(W) an omission of a correct social security number required under section 108(f)(5)(C) (relating to discharges on account of death or disability).".

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

PART 2—ADDITIONAL TAX RELIEF FOR AMERICAN FAMILIES AND WORKERS

SEC. 110101. NO TAX ON TIPS.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 is amended by redesignating section 224 as section 225 and by inserting after section 223 the following new section:

"SEC. 224. QUALIFIED TIPS.

"(a) IN GENERAL.—There shall be allowed as a deduction an amount equal to the qualified tips received during the taxable year that are included on statements furnished to the individual pursuant to section 6041(d)(3), 6041A(e)(3), 6050W(f)(2), 6051(a)(18), or reported by the taxpayer on Form 4137 (or successor).

"(b) TIPS RECEIVED IN COURSE OF TRADE OR BUSINESS.—In the case of qualified tips received by an individual during any taxable year in the course of any trade or business of such individual, such qualified tips shall be taken into account under subsection (a) only to the extent that the gross receipts of the taxpayer from such trade or business for such taxable year (including such qualified tips) exceeds the sum of—

"(1) cost of goods sold that are allocable to such receipts, plus

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

"(c) QUALIFIED TIPS.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified tip' means any cash tip received by an individual in an occupation which traditionally and customarily received tips on or before December 31, 2024, as provided by the Secretary.

"(2) EXCLUSIONS.—Such term shall not include any amount received by an individual unless—

"(A) such amount is paid voluntarily without any consequence in the event of nonpayment, is not the subject of negotiation, and is determined by the payor,

"(B) the trade or business in the course of which the individual receives such amount is not a specified service trade or business (as defined in section 199A(d)(2)),

"(C) such individual is not a highly compensated employee (as defined in section 414(q)(1)) of any employer for the calendar year in which the taxable year begins, and does not receive earned income in excess of the dollar amount in effect under section 414(q)(1)(B)(i) for such calendar year, and

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

"(d) SOCIAL SECURITY NUMBER REQUIRED.—

"(1) IN GENERAL.—No deduction shall be allowed under this section unless the taxpayer includes on the return of tax for the taxable year—

"(A) such individual's social security number (as defined in section 24(h)(7)), and

"(B) if the individual is married, the social security number of such individual's spouse.

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

"(e) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary to prevent reclassification of income as qualified tips, including regulations or other guidance to prevent abuse of the deduction allowed by this section.

"(f) TERMINATION.—No deduction shall be allowed under this section for any taxable year beginning after December 31, 2028.".

(b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—Section 63(b) is amended by striking "and" at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting "and", and by adding at the end the following new paragraph:

"(5) the deduction provided in section 224.".

(c) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (V), by striking the period at the end of subparagraph (W) and inserting ", and", and by inserting after subparagraph (W) the following new subparagraph:

"(X) an omission of a correct social security number required under section 224(d) (relating to deduction for qualified tips).".

(d) EXCLUSION FROM QUALIFIED BUSINESS INCOME.—Section 199A(c)(4) is amended by striking "and" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", and", and by adding at the end the following new subparagraph:

"(D) any amount with respect to which a deduction is allowable to the taxpayer under section 224(a) for the taxable year.".

(e) EXTENSION OF TIP CREDIT TO BEAUTY SERVICE BUSINESS.—Section 45B(b)(2) is amended to read as follows:

(1) IN GENERAL.—

"(2) APPLICATION ONLY TO CERTAIN LINES OF BUSINESS.—In applying paragraph (1) there shall be taken into account only tips received from customers or clients in connection with the following services:

"(A) The providing, delivering, or serving of food or beverages for consumption, if the tipping of employees delivering or serving food or beverages by customers is customary.

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

"(i) Barbering and hair care.

"(ii) Nail care.

"(iii) Esthetics.

"(iv) Body and spa treatments.".

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

(A) by striking "as in effect on January 1, 2007, and", and

(B) by inserting ", and in the case of food or beverage establishments, as in effect on January 1, 2007" after "without regard to section 3(m) of such Act".

(f) REPORTING REQUIREMENTS.—

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

(A) STATEMENT FURNISHED TO SECRETARY.— Section 6041(a) is amended by inserting "(including a separate accounting of any such amounts properly designated as tips and whether such tips are received in an occupation described in section 224(c)(1))" after "such gains, profits, and income".

(B) STATEMENT FURNISHED TO PAYEE.—Section 6041(d) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and insert-

ing ", and", and by inserting after paragraph (2) the following new paragraph:

"(3) in the case of compensation to non-employees, the portion of payments that have been properly designated as tips and whether such tips are received in an occupation described in section 224(c)(1).".

(2) RETURNS FOR PAYMENTS MADE FOR SERVICES AND DIRECT SALES.—

(A) STATEMENT FURNISHED TO SECRETARY.— Section 6041A(a) is amended by inserting "(including a separate accounting of any such amounts properly designated as tips and whether such tips are received in an occupation described in section 224(c)(1))" after "amount of such payments".

(B) STATEMENT FURNISHED TO PAYEE.—Section 6041A(e) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ", and", and by inserting after paragraph (2) the following new paragraph:

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

(3) RETURNS RELATING TO THIRD PARTY SETTLEMENT ORGANIZATIONS.—

(A) STATEMENT FURNISHED TO SECRETARY.—Section 6050W(a) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting "and", and by adding at the end the following new paragraph:

"(3) in the case of a third party settlement organization, the portion of reportable payment transactions that have been properly designated by payors as tips and whether such tips are received in an occupation described in section 224(c)(1).".

(B) STATEMENT FURNISHED TO PAYEE.—Section 6050W(f)(2) is amended by inserting "(including a separate accounting of any such amounts that have been properly designated by payors as tips and whether such tips are received in an occupation described in section 224(c)(1))" after "reportable payment transactions".

(4) RETURNS RELATED TO WAGES.—Section 6051(a) is amended by striking "and" at the end of paragraph (16), by striking the period at the end of paragraph (17) and inserting ", and", and by inserting after paragraph (17) the following new paragraph:

"(18) the total amount of tips reported by the employee under section 6053(a).".

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

"Sec. 224. Qualified tips.".

(h) PUBLISHED LIST OF OCCUPATIONS TRADITIONALLY RECEIVING TIPS.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury (or the Secretary's delegate)

shall publish a list of occupations which traditionally and customarily received tips on or before December 31, 2024, for purposes of section 224(c)(1) (as added by subsection (a)).

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

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

SEC. 110102. NO TAX ON OVERTIME.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1, as amended by the preceding provisions of this Act, is amended by redesignating section 225 as section 226 and by inserting after section 224 the following new section:

"SEC. 225. QUALIFIED OVERTIME COMPENSATION.

"(a) IN GENERAL.—There shall be allowed as a deduction an amount equal to the qualified overtime compensation received during the taxable year.

"(b) QUALIFIED OVERTIME COMPENSATION.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified overtime compensation' means overtime compensation paid to an individual required under section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate (as used in such section) at which such individual is employed.

"(2) EXCLUSIONS.—Such term shall not include—

"(A) any qualified tip (as defined in section 224(c)), or

"(B) any amount received by an individual during a taxable year if such individual is a highly compensated employee (as defined in section 414(q)(1)) of any employer for the calendar year in which the taxable year begins, or receives earned income in excess of the dollar amount in effect under section 414(q)(1)(B)(i) for such calendar year.

"(c) SOCIAL SECURITY NUMBER REQUIRED.—

"(1) IN GENERAL.—No deduction shall be allowed under this section unless the taxpayer includes on the return of tax for the taxable year—

"(A) such individual's social security number (as defined in section 24(h)(7)), and

"(B) if the individual is married, the social security number of such individual's spouse.

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

"(d) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section.

"(e) TERMINATION.—No deduction shall be allowed under this section for any taxable year beginning after December 31, 2028.".

(b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—Section 63(b), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting "and", and by adding at the end the following new paragraph:

"(6) the deduction provided in section 225.".

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

"(19) the total amount of qualified overtime compensation (as defined in section 225(b)).".

(d) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (W), by striking the period at the end of subparagraph (X) and inserting ", and", and by inserting after subparagraph (X) the following new subparagraph:

"(Y) an omission of a correct social security number required under section 225(c) (relating to deduction for qualified overtime).".

(e) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1, as amended by the preceding provisions of this Act, is amended by redesignating the item relating to section 225 as an item relating to section 226 and by inserting after the item relating to section 224 the following new item:

"Sec. 225. Qualified overtime compensation.".

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

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

SEC. 110103. ENHANCED DEDUCTION FOR SENIORS.

(a) IN GENERAL.—Section 63(f) is amended by adding at the end the following new paragraph:

"(5) BONUS ADDITIONAL AMOUNT FOR SENIORS.—

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

"(B) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—In the case of any taxpayer for any taxable year, the $4,000 amount in subparagraph(A) shall be reduced (but not below zero) by 4 percent of so much of the taxpayer's modified adjusted gross income as exceeds $75,000 ($150,000 in the case of a joint return).

"(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

"(D) SOCIAL SECURITY NUMBER REQUIRED.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply unless the taxpayer includes on the return of tax for the taxable year—

"(I) such individual's social security number (as defined in section 24(h)(7)), and

"(II) if the individual is married, the social security number of such individual's spouse.

"(ii) MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this section.

"(E) COORDINATION WITH INFLATION ADJUSTMENT.—Subsection (c)(4) shall not apply to any dollar amount contained in this paragraph.

"(F) ALLOWANCE TO SENIORS WHO ELECT TO ITEMIZE.—In the case of a taxpayer who elects to itemize deductions for any taxable year beginning after December 31, 2024, and before January 1, 2029, there shall be allowed as a deduction the aggregate increase which would be determined under subparagraph (A) (determined after the application of subparagraphs (B), (D), and (E)) with respect to such taxpayer for such taxable year if such taxpayer did not so elect to itemize deductions for such taxable year.".

(b) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (X), by striking the period at the end of subparagraph (Y) and inserting ", and", and by inserting after subparagraph (Y) the following new subparagraph:

"(Z) an omission of a correct social security number required under section 63(f)(5)(D) (relating to bonus additional amount for seniors).".

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

SEC. 110104. NO TAX ON CAR LOAN INTEREST.

(a) IN GENERAL.—Section 163(h) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

"(4) SPECIAL RULES FOR TAXABLE YEARS 2024 THROUGH 2028 RELATING TO QUALIFIED PASSENGER VEHICLE LOAN INTEREST.—

"(A) IN GENERAL.—In the case of taxable years beginning after December 31, 2024, and before January 1, 2029, for purposes of this subsection the term 'personal interest' shall not include qualified passenger vehicle loan interest.

"(B) QUALIFIED PASSENGER VEHICLE LOAN INTEREST DEFINED.—

"(i) IN GENERAL.—For purposes of this paragraph, the term 'qualified passenger vehicle loan interest' means any interest which is paid or accrued during the taxable year on indebtedness incurred by the taxpayer after December 31, 2024, for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use.

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

"(I) A loan to finance fleet sales.

"(II) A personal cash loan secured by a vehicle previously purchased by the taxpayer.

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

"(IV) Any lease financing.

"(V) A loan to finance the purchase of a vehicle with a salvage title.

"(VI) A loan to finance the purchase of a vehicle intended to be used for scrap or parts.

"(C) LIMITATIONS.—

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

"(ii) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

"(I) IN GENERAL.—The amount which is otherwise allowable as a deduction under subsection (a) as qualified passenger vehicle loan interest (determined without regard to this clause and after the application of clause (i)) shall be reduced (but not below zero) by $200 for each $1,000 (or portion thereof) by which the modified adjusted gross income of the taxpayer for the taxable year exceeds $100,000 ($200,000 in the case of a joint return).

"(II) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this clause, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

"(D) APPLICABLE PASSENGER VEHICLE.—The term 'applicable passenger vehicle' means any vehicle—

"(i)(I) which is manufactured primarily for use on public streets, roads, and highways,

"(II) which has at least 2 wheels, and

"(III) which is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle,

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

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

"(I) is designed to provide temporary living quarters for recreational, camping, or seasonal use, and

"(II) is a motor vehicle or is designed to be towed by, or affixed to, a motor vehicle.

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

"(E) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(i) ALL-TERRAIN VEHICLE.—The term 'all-terrain vehicle' means any motorized vehicle which has 3 or 4 wheels, a seat designed to be straddled by the operator, and handlebars for steering control.

"(ii) FINAL ASSEMBLY.—For purposes of subparagraph (D), the term 'final assembly' means the process by which a manufacturer produces a vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer or importer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.

"(iii) TREATMENT OF REFINANCING.—Indebtedness described in subparagraph (B) shall include indebtedness that results from refinancing any indebtedness described in such subparagraph, and that is secured by a first lien on the applicable passenger vehicle with respect to which the refinanced indebtedness was incurred, but only to the extent the amount of such resulting indebtedness does not exceed the amount of such refinanced indebtedness.

"(iv) RELATED PARTIES.—Indebtedness described in subparagraph (B) shall not include any indebtedness owed to a person who is related (within the meaning of section 267(b) or 707(b)(1)) to the taxpayer.".

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES.—Section 62(a) is amended by inserting after paragraph (21) the following new paragraph:

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

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

"SEC. 6050AA. RETURNS RELATING TO APPLICABLE PASSENGER VEHICLE LOAN INTEREST RECEIVED IN TRADE OR BUSINESS FROM INDIVIDUALS.

"(a) IN GENERAL.—Any person—

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

"(2) who, in the course of such trade or business, receives from any individual interest aggregating $600 or more for any calendar year on a specified passenger vehicle loan,

shall make the return described in subsection (b) with respect to each individual from whom such interest was received at such time as the Secretary may provide.

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

"(1) is in such form as the Secretary may prescribe, and

"(2) contains—

"(A) the name and address of the individual from whom the interest described in subsection (a)(2) was received,

"(B) the amount of such interest received for the calendar year,

"(C) the amount of outstanding principal on the specified passenger vehicle loan as of the beginning of such calendar year,

"(D) the date of the origination of such loan,

"(E) the year, make, and model of the applicable passenger vehicle which secures such loan (or such other description of such vehicle as the Secretary may prescribe), and

"(F) such other information as the Secretary may prescribe.

"(c) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

"(1) the name, address, and phone number of the information contact of the person required to make such return, and

"(2) the information described in subparagraphs (B), (C), (D), and (E) of subsection (b)(2) with respect to such individual (and such information as is described in subsection (b)(2)(F) with respect to such individual as the Secretary may provide for purpoeses of this subsection).

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

"(d) DEFINITIONS.—For purposes of this section—

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

"(2) SPECIFIED PASSENGER VEHICLE LOAN.—The term 'specified passenger vehicle loan' means the indebtedness described in section 163(h)(4)(B) with respect to any applicable passenger vehicle.

"(e) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance to prevent the duplicate reporting of information under this section.".

(d) CONFORMING AMENDMENTS.—

(1) Section 56(e)(1)(B) is amended by striking "section 163(h)(4)" and inserting "section 163(h)(5)".

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

"Sec. 6050AA. Returns relating to applicable passenger vehicle loan interest received in trade or business from individuals.".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to indebtedness incurred after December 31, 2024.

SEC. 110105. ENHANCEMENT OF EMPLOYER-PROVIDED CHILD CARE CREDIT.

(a) INCREASE OF AMOUNT OF QUALIFIED CHILD CARE EXPENDITURES TAKEN INTO ACCOUNT.—Section 45F(a)(1) is amended by striking "25 percent" and inserting "40 percent (50 percent in the case of an eligible small business)".

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

"(b) DOLLAR LIMITATION.—

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

"(2) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2026, the $500,0000 and $600,000 amounts in paragraph (1) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.".

(c) ELIGIBLE SMALL BUSINESS.—Section 45F(c) is amended by adding at the end the following new paragraph:

"(4) ELIGIBLE SMALL BUSINESS.—The term 'eligible small business' means a business that meets the gross receipts test of section 448(c), determined—

"(A) by substituting '5-taxable-year' for '3-taxable-year' in paragraph (1) thereof, and

"(B) by substituting '5-year' for '3-year' each place such term appears in paragraph (3)(A) thereof.".

(d) CREDIT ALLOWED FOR THIRD-PARTY INTERMEDIARIES.—Section 45F(c)(1)(A)(iii) is amended by inserting ", or under a contract with an intermediate entity that contracts with one or more qualified child care facilities to provide such child care services" before the period at the end.

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

"(C) TREATMENT OF JOINTLY OWNED OR OPERATED CHILD CARE FACILITY.—A facility shall not fail to be treated as a qualified child care facility of the taxpayer merely because such facility is jointly owned or operated by the taxpayer and other persons.".

(f) REGULATIONS AND GUIDANCE.—Section 45F is amended by adding at the end the following new subsection:

"(g) REGULATIONS AND GUIDANCE.—The Secretary shall issue such regulations or other guidance as may be necessary to carry out the purposes of this section, including guidance to carry out the purposes of paragraphs (1)(A)(iii) and (2)(C) of subsection (c).".

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

SEC. 110106. EXTENSION AND ENHANCEMENT OF PAID FAMILY AND MEDICAL LEAVE CREDIT.

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

(1) in subsection (a)—

(A) by striking paragraph (1) and inserting the following:

"(1) IN GENERAL.—For purposes of section 38, in the case of an eligible employer, the paid family and medical leave credit is an amount equal to either of the following (as elected by such employer):

"(A) The applicable percentage of the amount of wages paid to qualifying employees with respect to any period in which such employees are on family and medical leave.

"(B) If such employer has an insurance policy with regards to the provision of paid family and medical leave which is in force during the taxable year, the applicable percentage of the total amount of premiums paid or incurred by such employer during such taxable year with respect to such insurance policy.", and

(B) by adding at the end the following:

"(3) RATE OF PAYMENT DETERMINED WITHOUT REGARD TO WHETHER LEAVE IS TAKEN.—For purposes of determining the applicable percentage with respect to paragraph (1)(B), the rate of payment under the insurance policy shall be determined without regard to whether any qualifying employees were on family and medical leave during the taxable year.",

(2) in subsection (b)(1), by striking "credit allowed" and inserting "wages taken into account",

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

"(3) AGGREGATION RULE.—

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

"(B) EXCEPTION.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply to any person who establishes to the satisfaction of the Secretary that such person has a substantial and legitimate business reason for failing to provide a written policy described in paragraph (1) or (2).

"(ii) SUBSTANTIAL AND LEGITIMATE BUSINESS REASON.—For purposes of clause (i), the term 'substantial and legitimate business reason' shall not include the operation of a separate line of business, the rate of wages or category of jobs for employees (or any similar basis), or the application of State or local laws relating to family and medical leave, but may include the grouping of employees of a common law employer.

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

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

"(B) shall not be taken into account in determining the amount of the paid family and medical leave credit under subsection (a).",

(4) in subsection (d)—

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

(B) in paragraph (2)—

(i) by inserting ", as determined on an annualized basis (pro-rata for part-time employees)," after "compensation", and

(ii) by striking the period at the end and inserting ", and", and

(C) by adding at the end the following:

"(3) is customarily employed for not less than 20 hours per week.", and

(5) by striking subsection (i).

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

(1) by striking "45S(a)" and inserting "45S(a)(1)(A)", and

(2) by inserting after the first sentence the following: "No deduction shall be allowed for that portion of the premiums paid or incurred for the taxable year which is equal to that portion of the paid family and medical leave credit which is determined for the taxable year under section 45S(a)(1)(B)."

(c) OUTREACH.—

(1) SBA AND RESOURCE PARTNERS.—Each district office of the Small Business Administration and each resource partner of the Small Business Administration, including small business development centers described in section 21 of the Small Business Act (15 U.S.C. 648)), women's business centers described in section 29 of such Act (15 U.S.C. 656), each chapter of the Service Corps of Retired Executives described in section 8(b)(1)(B) of such Act (15 U.S.C. 637(b)(1)(B)), and Veteran Business Outreach Centers described in section 32 of such Act (15 U.S.C. 657b), shall conduct outreach to relevant parties regarding the paid family and medical leave credit under section 45S of the Internal Revenue Code of 1986, including through—

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

(B) the development of a written paid family leave policy, as described in paragraphs (1) and (2) of section 45S(c) of the Internal Revenue Code of 1986.

(2) INTERNAL REVENUE SERVICE.—The Secretary of the Treasury (or the Secretary's delegate) shall perform targeted outreach to employers and other relevant entities regarding the availability and requirements of the paid family and medical leave credit under section 45S of the Internal Revenue Code of 1986, including providing relevant information as part of Internal Revenue Service communications that are regularly issued to entities that provide payroll services, tax professionals, and small businesses.

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

SEC. 110107. ENHANCEMENT OF ADOPTION CREDIT.

(a) IN GENERAL.—Section 23(a) is amended by adding at the end the following new paragraph:

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

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

"(h) ADJUSTMENTS FOR INFLATION.—

"(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in para-

graphs (3) and (4) of subsection (a) and paragraphs (1) and (2)(A)(i) of subsection (b) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) ROUNDING.—If any amount as increased under paragraph (1) is not a multiple of $10, such amount shall be rounded to the nearest multiple of $10.

"(3) SPECIAL RULE FOR REFUNDABLE PORTION.—In the case of the dollar amount in subsection (a)(4), paragraph (1) shall be applied—

"(A) by substituting '2025' for '2002' in the matter preceding subparagraph (A), and

"(B) by substituting 'calendar year 2024' for 'calendar year 2001' in subparagraph (B) thereof.".

(c) EXCLUSION OF REFUNDABLE PORTION OF CREDIT FROM CARRYFORWARD.—Section 23(c)(1) is amended by striking "credit allowable under subsection (a)" and inserting "portion of the credit allowable under subsection (a) which is allowed under this subpart".

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

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

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

(1) in subparagraph (A), by inserting "or Indian tribal government" after "a State", and

(2) in subparagraph (B), by inserting "or Indian tribal government" after "such State".

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

SEC. 110109. TAX CREDIT FOR CONTRIBUTIONS OF INDIVIDUALS TO SCHOLARSHIP GRANTING ORGANIZATIONS.

(a) ALLOWANCE OF CREDIT.—

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

"SEC. 25F. QUALIFIED ELEMENTARY AND SECONDARY EDUCATION SCHOLARSHIPS.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the aggregate amount of qualified contributions made by the taxpayer during the taxable year.

"(b) LIMITATIONS.—

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

"(A) 10 percent of the adjusted gross income of the taxpayer for the taxable year, or

"(B) $5,000.

"(2) ALLOCATION OF VOLUME CAP.—The credit allowed under subsection (a) to any taxpayer for any taxable year shall not exceed the amount of the volume cap allocated by the Secretary to such taxpayer under subsection (g) with respect to qualified contributions made by the taxpayer during the taxable year.

"(3) REDUCTION BASED ON STATE CREDIT.—The amount allowed as a credit under subsection (a) for a taxable year shall be reduced by the amount allowed as a credit on any State tax return of the taxpayer for qualified contributions made by the taxpayer during the taxable year.

"(c) DEFINITIONS.—For purposes of this section—

"(1) ELIGIBLE STUDENT.—The term 'eligible student' means an individual who—

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

"(B) is eligible to enroll in a public elementary or secondary school.

"(2) QUALIFIED CONTRIBUTION.—The term 'qualified contribution' means a charitable contribution (as defined by section 170(c)) to a scholarship granting organization in the form of cash or marketable securities.

"(3) QUALIFIED ELEMENTARY OR SECONDARY EDUCATION EXPENSE.—The term 'qualified elementary or secondary education expense' means the following expenses in connection with enrollment or attendance at, or for students enrolled at or attending, an elementary or secondary public, private, or religious school:

"(A) Tuition.

"(B) Curriculum and curricular materials.

"(C) Books or other instructional materials.

"(D) Online educational materials.

"(E) Tuition for tutoring or educational classes outside of the home, including at a tutoring facility, but only if the tutor or instructor is not related to the student and—

"(i) is licensed as a teacher in any State,

"(ii) has taught at an eligible educational institution, or

"(iii) is a subject matter expert in the relevant subject.

"(F) Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or any examinations related to college or university admission.

"(G) Fees for dual enrollment in an institution of higher education.

"(H) Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies.

Such term shall include expenses for the purposes described in subparagraphs (A) through (H) in connection with a

homeschool (whether treated as a homeschool or a private school for purposes of applicable State law). No amount paid to an elementary or secondary school shall be considered a qualified elementary or secondary education expense for the purposes of this section unless such school demonstrates that it maintains a policy whereby its admissions standards do not take into account whether the student seeking enrollment has a current individualized education plan, nor takes into account that the student requires equitable services for a learning disability, and if a student does have such an individualized education plan, the school abides by the plan's terms and provides services outlined therein.

"(4) SCHOLARSHIP GRANTING ORGANIZATION.—The term 'scholarship granting organization' means any organization—

"(A) which—

"(i) is described in section 501(c)(3) and exempt from tax under section 501(a), and

"(ii) is not a private foundation,

"(B) substantially all of the activities of which are providing scholarships for qualified elementary or secondary education expenses of eligible students,

"(C) which prevents the co-mingling of qualified contributions with other amounts by maintaining one or more separate accounts exclusively for qualified contributions, and

"(D) which either—

"(i) meets the requirements of subsection (d), or

"(ii) pursuant to State law, was able (as of the date of the enactment of this section) to receive contributions that are eligible for a State tax credit if such contributions are used by the organization to provide scholarships to individual elementary and secondary students, including scholarships for attending private schools.

"(d) REQUIREMENTS FOR SCHOLARSHIP GRANTING ORGANIZATIONS.—

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

"(A) such organization provides scholarships to 2 or more students, provided that not all such students attend the same school,

"(B) such organization does not provide scholarships for any expenses other than qualified elementary or secondary education expenses,

"(C) such organization provides a scholarship to eligible students with a priority for—

"(i) students awarded a scholarship the previous school year, and

"(ii) after application of clause (i), any such students who have a sibling who was awarded a scholarship from such organization,

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

"(E) such organization takes appropriate steps to verify the annual household income and family size of eligible students to whom it awards scholarships, and limits them to a member of a household for which the income does not exceed the amount established under subsection (c)(1)(A),

"(F) such organization—

"(i) obtains from an independent certified public accountant annual financial and compliance audits, and

"(ii) certifies to the Secretary (at such time, and in such form and manner, as the Secretary may prescribe) that the audit described in clause (i) has been completed, and

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

"(2) INCOME VERIFICATION.—For purposes of paragraph (1)(E), review of all of the following (as applicable) shall be treated as satisfying the requirement to take appropriate steps to verify annual household income:

"(A) Federal and State income tax returns or tax return transcripts with applicable schedules for the taxable year prior to application.

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

"(C) Notarized income verification letter from employers.

"(D) Unemployment or workers compensation statements.

"(E) Budget letters regarding public assistance payments and Supplemental Nutrition Assistance Program (SNAP) payments including a list of household members.

"(3) INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT.—For purposes of paragraph (1)(F), the term 'independent certified public accountant' means, with respect to an organization, a certified public accountant who is not a person described in section 465(b)(3)(A) with respect to such organization or any employee of such organization.

"(4) PROHIBITION ON SELF-DEALING.—

"(A) IN GENERAL.—A scholarship granting organization may not award a scholarship to any disqualified person.

"(B) DISQUALIFIED PERSON.—For purposes of this paragraph, a disqualified person shall be determined pursuant to rules similar to the rules of section 4946.

"(e) DENIAL OF DOUBLE BENEFIT.—Any qualified contribution for which a credit is allowed under this section shall not be taken into account as a charitable contribution for purposes of section 170.

"(f) CARRYFORWARD OF UNUSED CREDIT.—

"(1) IN GENERAL.—If the credit allowable under subsection (a) for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section, section 23, and section 25D), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

"(2) LIMITATION.—No credit may be carried forward under this subsection to any taxable year following the fifth taxable year after the taxable year in which the credit arose. For purposes of the preceding sentence, credits shall be treated as used on a first-in first-out basis.

"(g) VOLUME CAP.—

"(1) IN GENERAL.—The volume cap applicable under this section shall be $5,000,000,000 for each of calendar years 2026 through 2029, and zero for calendar years thereafter. Such amount shall be allocated by the Secretary as provided in paragraph (2) to taxpayers with respect to qualified contributions made by such taxpayers, except that 10 percent of such amount shall be divided evenly among the States, and shall be available with respect to individuals residing in such States.

"(2) FIRST-COME, FIRST-SERVE.—For purposes of applying the volume cap under this section, such volume cap for any calendar year shall be allocated by the Secretary on a first-come, first-serve basis, as determined based on the time (during such calendar year) at which the taxpayer made the qualified contribution with respect to which the allocation is made. The Secretary shall not make any allocation of volume cap for any calendar year after December 31 of such calendar year.

"(3) REAL-TIME INFORMATION.—For purposes of this section, the Secretary shall develop a system to track the amount of qualified contributions made during the calendar year for which a credit may be claimed under this section, with such information to be updated in real time.

"(4) ANNUAL INCREASES.—

"(A) IN GENERAL.—In the case of the calendar year after a high-use calendar year, the dollar amount otherwise in effect under paragraph (1) for such calendar year shall be equal to 105 percent of the dollar amount in effect for such high-use calendar year.

"(B) HIGH-USE CALENDAR YEAR.—For purposes of this subsection, the term 'high-use calendar year' means any calendar year for which 90 percent or more of the volume cap in effect for such calendar year under paragraph (1) is allocated to taxpayers.

"(C) PREVENTION OF DECREASES IN ANNUAL VOLUME CAP.—The volume cap in effect under paragraph (1) for any calendar year shall not be less than the volume cap in effect under such paragraph for the preceding calendar year.

"(D) PUBLICATION OF ANNUAL VOLUME CAP.—The Secretary shall make publicly available the dollar amount of the volume cap in effect under paragraph (1) for each calendar year.

"(5) STATES.—For purposes of this subsection, the term 'State' includes the District of Columbia.".

(2) CONFORMING AMENDMENTS.—

(A) Section 25(e)(1)(C) is amended by striking "and 25D" and inserting "25D, and 25F".

(B) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25E the following new item:

"Sec. 25F. Qualified elementary and secondary education scholarships.".

(b) FAILURE OF SCHOLARSHIP GRANTING ORGANIZATIONS TO MAKE DISTRIBUTIONS.—

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

"Subchapter I—Scholarship Granting Organizations

"Sec. 4969. Failure to distribute receipts.

"SEC. 4969. FAILURE TO DISTRIBUTE RECEIPTS.

"(a) IN GENERAL.—In the case of any scholarship granting organization (as defined in section 25F) which has been determined by the Secretary to have failed to satisfy the requirement under subsection (b) for any taxable year, any contribution made to such organization during the first taxable year beginning after the date of such determination shall not be treated as a qualified contribution (as defined in section 25F(c)(2)) for purposes of section 25F.

"(b) REQUIREMENT.—The requirement described in this subsection is that the amount of receipts of the scholarship granting organization for the taxable year which are distributed before the distribution deadline with respect to such receipts shall not be less than the required distribution amount with respect to such taxable year.

"(c) DEFINITIONS.—For purposes of this section—

"(1) REQUIRED DISTRIBUTION AMOUNT.—

"(A) IN GENERAL.—The required distribution amount with respect to a taxable year is the amount equal to 100 percent of the total receipts of the scholarship granting organization for such taxable year—

"(i) reduced by the sum of such receipts that are retained for reasonable administrative expenses for the taxable year or are carried to the succeeding taxable year under subparagraph (C), and

"(ii) increased by the amount of the carryover under subparagraph (C) from the preceding taxable year.

"(B) SAFE HARBOR FOR REASONABLE ADMINISTRATIVE EXPENSES.—For purposes of subparagraph (A)(i), if the percentage of total receipts of a scholarship granting organization for a taxable year which are used for administrative purposes is equal to or less than 10 percent, such expenses shall be deemed to be reasonable for purposes of such subparagraph.

"(C) CARRYOVER.—With respect to the amount of the total receipts of a scholarship granting organization with respect to any taxable year, an amount not greater than 15 percent of such amount may, at the election of such organization, be carried to the succeeding taxable year.

"(2) DISTRIBUTIONS.—The term 'distribution' includes amounts which are formally committed but not distributed. A formal commitment described in the preceding sentence may

include contributions set aside for eligible students for more than one year.

"(3) DISTRIBUTION DEADLINE.—The distribution deadline with respect to receipts for a taxable year is the first day of the third taxable year following the taxable year in which such receipts are received by the scholarship granting organization.".

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

"SUBCHAPTER I—SCHOLARSHIP GRANTING ORGANIZATIONS".

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

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

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

"(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION.—Any reference in this section to the term 'qualified higher education expense' shall include a reference to the following expenses in connection with enrollment or attendance at, or for students enrolled at or attending, an elementary or secondary public, private, or religious school:

"(A) Tuition.

"(B) Curriculum and curricular materials.

"(C) Books or other instructional materials.

"(D) Online educational materials.

"(E) Tuition for tutoring or educational classes outside of the home, including at a tutoring facility, but only if the tutor or instructor is not related to the student and—

"(i) is licensed as a teacher in any State,

"(ii) has taught at an eligible educational institution, or

"(iii) is a subject matter expert in the relevant subject.

"(F) Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or any examinations related to college or university admission.

"(G) Fees for dual enrollment in an institution of higher education.

"(H) Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies.

Such term shall include expenses for the purposes described in subparagraphs (A) through (H) in connection with a homeschool (whether treated as a homeschool or a private school for purposes of applicable State law).".

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

SEC. 110111. CERTAIN POSTSECONDARY CREDENTIALING EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS.

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

"(C) CERTAIN POSTSECONDARY CREDENTIALING EXPENSES.—The term 'qualified higher education expenses' includes qualified postsecondary credentialing expenses (as defined in subsection (f)).".

(b) QUALIFIED POSTSECONDARY CREDENTIALING EXPENSES.—Section 529 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"(f) QUALIFIED POSTSECONDARY CREDENTIALING EXPENSES.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified postsecondary credentialing expenses' means—

"(A) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in a recognized postsecondary credential program, or any other expense incurred in connection with enrollment in or attendance at a recognized postsecondary credential program if such expense would, if incurred in connection with enrollment or attendance at an eligible educational institution, be covered under subsection (e)(3)(A),

"(B) fees for testing if such testing is required to obtain or maintain a recognized postsecondary credential, and

"(C) fees for continuing education if such education is required to maintain a recognized postsecondary credential.

"(2) RECOGNIZED POSTSECONDARY CREDENTIAL PROGRAM.—The term 'recognized postsecondary credential program' means any program to obtain a recognized postsecondary credential if—

"(A) such program is included on a State list prepared under section 122(d) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3152(d)),

"(B) such program is listed in the WEAMS Public directory (or successor directory) maintained by the Department of Veterans Affairs,

"(C) an examination (developed or administered by an organization widely recognized as providing reputable credentials in the occupation) is required to obtain or maintain such credential and such organization recognizes such program as providing training or education which prepares individuals to take such examination, or

"(D) such program is identified by the Secretary, after consultation with the Secretary of Labor, as being a reputable program for obtaining a recognized postsecondary credential for purposes of this subsection.

"(3) RECOGNIZED POSTSECONDARY CREDENTIAL.—The term 'recognized postsecondary credential' means—

"(A) any postsecondary employment credential that is industry recognized, including—

"(i) any postsecondary employment credential issued by a program that is accredited by the Institute for Credentialing Excellence, the National Commission on Certifying Agencies, or the American National Standards Institute,

"(ii) any postsecondary employment credential that is included in the Credentialing Opportunities On-Line (COOL) directory of credentialing programs (or successor directory) maintained by the Department of Defense or by any branch of the Armed Services, and

"(iii) any postsecondary employment credential identified for purposes of this clause by the Secretary, after consultation with the Secretary of Labor, as being industry recognized,

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

"(C) any occupational or professional license issued or recognized by a State or the Federal Government (and any certification that satisfies a condition for obtaining such a license), and

"(D) any recognized postsecondary credential as defined in section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102).".

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

SEC. 110112. REINSTATEMENT OF PARTIAL DEDUCTION FOR CHARITABLE CONTRIBUTIONS OF INDIVIDUALS WHO DO NOT ELECT TO ITEMIZE.

(a) IN GENERAL.—Section 170(p) is amended—

(1) by striking "$300 ($600" and inserting "$150 ($300", and

(2) by striking "in 2021" and inserting "after December 31, 2024, and before January 1, 2029".

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

SEC. 110113. EXCLUSION FOR CERTAIN EMPLOYER PAYMENTS OF STUDENT LOANS UNDER EDUCATIONAL ASSISTANCE PROGRAMS MADE PERMANENT AND ADJUSTED FOR INFLATION.

(a) IN GENERAL.—Section 127(c)(1)(B) is amended by striking "in the case of payments made before January 1, 2026,".

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

(1) by redesignating subsection (d) as subsection (e), and

(2) by inserting after subsection (c) the following new subsection:

"(d) INFLATION ADJUSTMENT.—

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

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year

begins, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) ROUNDING.—If any increase under paragraph (1) is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.".

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

SEC. 110114. EXTENSION OF RULES FOR TREATMENT OF CERTAIN DISASTER-RELATED PERSONAL CASUALTY LOSSES.

For purposes of applying section 304(b) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (division EE of Public Law 116–260), section 301 of such Act shall be applied by substituting the date of the enactment of this section for "the date of the enactment of this Act" each place it appears.

SEC. 110115. MAGA ACCOUNTS.

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

"PART IX—MAGA ACCOUNTS

"SEC. 530A. MAGA ACCOUNTS.

"(a) GENERAL RULE.—A MAGA account shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, such account shall be subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

"(b) MAGA ACCOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'money account for growth and advancement' or 'MAGA account' means a trust created or organized in the United States for the exclusive benefit of an individual and which is designated (in such manner as the Secretary shall prescribe) at the time of the establishment of the trust as a MAGA account, but only if the written governing instrument creating the trust meets the following requirements:

"(A) The individual establishing the account shall provide to the trustee the social security number of such individual and of the account beneficiary.

"(B) Except in the case of a qualified rollover contribution described in subsection (e), no contribution will be accepted—

"(i) before January 1, 2026,

"(ii) unless it is in cash,

"(iii) unless the account beneficiary has not attained age 18, and

"(iv) if such contribution would result in aggregate contributions for the taxable year exceeding the contribution limit specified in subsection (c)(1).

"(C) No distribution (other than a distribution of a qualified rollover contribution) will be allowed—

"(i) before the date on which the account beneficiary attains age 18, or

"(ii) in the case of such an account the account beneficiary of which has not attained age 25, if the aggre-

gate distributions from such account exceeds the amount that is ½ the cash equivalent value of the account on the date on which the account beneficiary attains age 18.

"(D) The account beneficiary has not attained age 8 on the date of the establishment of the account.

"(E) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section or who has so demonstrated with respect to any individual retirement plan.

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

"(G) The assets of the trust shall not be commingled with other property except in a common trust fund or common investment fund.

"(H) No part of the trust funds will be invested in any asset other than eligible investments.

"(2) ELIGIBLE INVESTMENTS.—The term 'eligible investments' means stock of a regulated investment company (within the meaning of section 851) which—

"(A) tracks a well-established index of United States equities (or which invests in an equivalent diversified portfolio of United States equities),

"(B) does not use leverage,

"(C) minimizes fees and expenses, and

"(D) meets such other criteria as the Secretary determines appropriate for purposes of this section.

"(3) ACCOUNT BENEFICIARY.—The term 'account beneficiary' means the individual on whose behalf the MAGA account was established.

"(c) TREATMENT OF CONTRIBUTIONS.—

"(1) CONTRIBUTION LIMIT.—The contribution limit for any taxable year is $5,000.

"(2) CONTRIBUTIONS FROM TAX EXEMPT SOURCES AND ROLLOVER CONTRIBUTIONS.—The amount contributed to a MAGA account for purposes of paragraph (1) shall be determined without regard to—

"(A) a qualified rollover contribution,

"(B) any contribution from the Federal Government or any State, local, or tribal government, or

"(C) any contribution made through the program established under subsection (l).

"(3) COST-OF-LIVING ADJUSTMENT.—

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

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

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

"(d) DISTRIBUTIONS.—

"(1) AMOUNTS ALLOCABLE TO INVESTMENT IN THE CONTRACT.—A distribution from a MAGA account of an amount allocable to the investment in the contract shall not be includible in the gross income of the distributee.

"(2) AMOUNTS ALLOCABLE TO INCOME ON THE CONTRACT USED FOR QUALIFIED EXPENSES.—A distribution from a MAGA account of an amount allocable to income on the contract and which is used exclusively to pay for qualified expenses shall be includible in net capital gain of the distributee under section 1(h)(12).

"(3) AMOUNTS INCLUDIBLE IN GROSS INCOME.—Any distribution from a MAGA account which is not described in paragraph (1) or (2) shall be includible in the gross income of the distributee.

"(4) QUALIFIED EXPENSES.—For purposes of this subsection, the term 'qualified expenses' means any of the following expenses paid or incurred for the benefit of the account beneficiary:

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

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

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

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

"(5) EXCEPTIONS.—Paragraphs (2) and (3) shall not apply to any distribution which is a qualified rollover contribution.

"(6) ADDITIONAL TAX ON CERTAIN DISTRIBUTIONS.—In the case of a distributee who has not attained age 30, the tax imposed by this chapter on the account beneficiary for any taxable year in which there is a distribution from a MAGA account of such beneficiary which is includible in gross income under paragraph (3) shall be increased by 10 percent of the amount which is so includible.

"(e) QUALIFIED ROLLOVER CONTRIBUTION.—For purposes of this section, the term 'qualified rollover contribution' means an amount which is paid in a direct trustee-to-trustee transfer from a MAGA account maintained for the benefit of the account beneficiary to a MAGA account maintained for such beneficiary.

"(f) TREATMENT AFTER DEATH OF ACCOUNT BENEFICIARY.—Rules similar to the rules of section 223(f)(8) shall apply for purposes of this section.

"(g) DETERMINATIONS OF AGGREGATE DISTRIBUTIONS AND INVESTMENT IN CONTRACT IN THE CASE OF CERTAIN ROLLOVER CONTRIBUTIONS.—In the case of a qualified rollover contribution which is described in subsection (e)(2), any determination required under this section of the amount of the investment of the contract or of aggregate distributions from the MAGA account shall be determined with respect to the aggregate of such amounts for all MAGA accounts of the same account beneficiary.

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

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

"(2) the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Secretary, that the manner in which he will administer the account will be consistent with the requirements of this section.

For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the person holding the assets of such account shall be treated as the trustee thereof.

"(i) TERMINATION.—

"(1) AGE 31.—Upon the date on which the account beneficiary attains age 31, a MAGA account shall cease to be a MAGA account and the amount in such account shall be treated as distributed for purposes of subsection (d).

"(2) MULTIPLE ACCOUNTS OF ONE BENEFICIARY.—

"(A) IN GENERAL.—In the case of any duplicate MAGA account of any account beneficiary other than a MAGA account which is established by the deposit through a qualified rollover contribution of the entire amount of another MAGA account of the account beneficiary—

"(i) such duplicate MAGA account shall cease to be a MAGA account and the amount in such account shall be treated as distributed for purposes of subsection (d), and

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

"(B) WITHHOLDING REQUIREMENT.—In the case of an account terminated under subparagraph (A), the trustee shall deduct and withhold upon the amount to be distributed the amount in excess described in subparagraph (A)(ii).

"(C) NOTIFICATION.—The Secretary, upon determining that a duplicate account exists, shall provide a notice to the account beneficiary of such duplicate account (and the account custodian, in the case of a custodial account) and to each trustee of any MAGA account of the account beneficiary of such duplicate account which identifies each MAGA account of such beneficiary and the trustee of each such account.

"(D) DUPLICATE ACCOUNT.—For purposes of this paragraph, the term 'duplicate account' means—

"(i) in the case of an account beneficiary for the benefit of whom an account was established by the Secretary under section 6434, any other MAGA account of such account beneficiary, or

"(ii) in the case of any other account beneficiary, any MAGA account established after the first MAGA account established for the benefit of such account beneficiary.

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

"(k) REPORTS.—The trustee of a MAGA account shall make such reports regarding such account to the Secretary and to the beneficiary of the account with respect to contributions, distributions, the amount of investment in the contract, and such other matters as the Secretary may require. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required.

"(l) CONTRIBUTIONS TO PREDOMINATELY UNRELATED CHILDREN.—The Secretary shall establish a program through which contributions may be made to the MAGA accounts of a large group of account beneficiaries if—

"(1) the contribution is made by any person described in any paragraph of section 501(c) and exempt from taxation under section 501(a),

"(2) such accounts are selected on the basis of the location of the residence of the account beneficiaries, the school district in which such beneficiaries attend school, or another basis the Secretary determines appropriate, and

"(3) all individuals who are account beneficiaries of such an account who meet the selected criteria receive an equal portion of the contribution.".

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

"(12) DISTRIBUTIONS FROM MAGA ACCOUNT TAXED AS NET CAPITAL GAIN.—For purposes of this subsection, the term 'net capital gain' means the net capital gain (determined without regard to this paragraph) increased by the amount includible in net capital gain under this paragraph by reason of section 530A(d)(2).".

(c) TAX ON EXCESS CONTRIBUTIONS.—

(1) IN GENERAL.—Section 4973(a) is amended by striking "or" at the end of paragraph (5), by inserting "or" at the end of paragraph (6), and by inserting after paragraph (6) the following new paragraph:

"(7) a MAGA account (as defined in section 530A(b)),".

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

"(i) EXCESS CONTRIBUTIONS TO A MAGA ACCOUNT.—For purposes of this section, in the case of MAGA accounts (within the meaning of section 530A), the term 'excess contributions' means the sum of—

"(1) the amount by which the amount contributed for the calendar year to such account (other than qualified rollover contributions (as defined in section 530A(e))) exceeds the contribution limit under section 530A(c)(1) (determined without regard to contributions described in section 530A(c)(2)), and

"(2) the amount determined under this subsection for the preceding calendar year, reduced by the excess (if any) of the maximum amount allowable as a contribution under section 530A(c)(1) (as so determined) for the calendar year over the amount contributed to the account for the calendar year (other than qualified rollover contributions (as so defined)).".

(d) DISCLOSURE OF RETURN INFORMATION TO FACILITATE CERTAIN CONTRIBUTIONS.—Section 6103(l) is amended by adding at the end the following new paragraph:

"(23) DISCLOSURE OF RETURN INFORMATION TO ENABLE CERTAIN CONTRIBUTIONS TO MAGA ACCOUNTS.—Upon written request signed by the head of the bureau or office of the Department of the Treasury requesting the inspection or disclosure, the Secretary may disclose the following return information with respect to a MAGA account (as defined in section 503A(b)) to officers and employees of such bureau or office to the extent that such disclosure is necessary to carry out section 530A(l):

"(A) Information necessary to identify the account holders in a particular class of beneficiaries identified by a donor as the intended recipients.

"(B) The name, address, and social security number of a beneficiary.

"(C) The account custodian and the address of such custodian.

"(D) The account number.

"(E) The routing number.

"(F) To the extent determined by the Secretary in regulations, such other return information as the Secretary determines necessary to ensure proper routing of funds

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

(e) FAILURE TO PROVIDE REPORTS ON MAGA ACCOUNTS.—Section 6693(a)(2) is amended by striking "and" at the end of subparagraph (E), by striking the period at the end of subparagraph (F) and inserting ", and", and by adding at the end the following new subparagraph:

"(G) section 530A(h) (relating to MAGA accounts).".

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

"PART IX. MAGA ACCOUNTS".

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

SEC. 110116. MAGA ACCOUNTS CONTRIBUTION PILOT PROGRAM.

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

"SEC. 6434. MAGA ACCOUNTS CONTRIBUTION PILOT PROGRAM.

"(a) IN GENERAL.—In the case of any taxpayer with respect to whom an eligible individual is a qualifying child, there shall be allowed a one-time credit of $1,000 with respect to each such eligible individual who is a qualifying child of such taxpayer which shall be payable by the Secretary only to the MAGA account with respect to which such eligible individual is the account beneficiary.

"(b) ACCOUNT ESTABLISHED BY SECRETARY.—

"(1) IN GENERAL.—In the case of any eligible individual that the Secretary determines is not the account beneficiary of any MAGA account as of the qualifying date of such eligible individual, the Secretary shall establish an account for the benefit of such eligible individual.

"(2) QUALIFYING DATE.—For purposes of paragraph (1), the term 'qualifying date' means, with respect to an eligible individual, the first date on which a return of tax is filed by an individual with respect to whom such eligible individual is a qualifying child with respect to the taxable year to which such return relates.

"(3) NOTIFICATION.—In the case of any eligible individual for the benefit of whom the Secretary establishes an account under paragraph (1), the Secretary shall—

"(A) notify any individual with respect to whom such eligible individual is a qualifying child for the taxable year described in paragraph (2) of the establishment of such account, and

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

"(4) DETERMINATION OF DEFAULT TRUSTEE.—For purposes of selecting a trustee for an account established under paragraph (1), the Secretary shall take into account—

"(A) the history of reliability and regulatory compliance of such trustee,

"(B) the customer service experience of such trustee,

"(C) the costs imposed by such trustee on the account or account beneficiary, and

"(D) to the extent practicable, the preferences of any individual described in paragraph (3)(A) with respect to such eligible individual.

"(c) ELIGIBLE INDIVIDUAL.—For purposes of subsection (a), the term eligible individual means an individual—

"(1) who is born after December 31, 2024, and before January 1, 2029, and

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

"(d) SOCIAL SECURITY NUMBER REQUIRED.—

"(1) IN GENERAL.—No credit shall be allowed under subsection (a) to a taxpayer unless such taxpayer includes on the return of tax for the taxable year—

"(A) such individual's social security number,

"(B) if such individual is married, the social security number of such individual's spouse, and

"(C) the social security number of the eligible individual with respect to whom such credit is allowed.

"(2) SOCIAL SECURITY NUMBER DEFINED.—For purposes of paragraph (1), the term 'social security number' shall have the meaning given such term in section 24(h)(7).

"(e) DEFINITIONS.—For purposes of this section—

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

"(2) MAGA ACCOUNT; ACCOUNT BENEFICIARY.—The terms 'MAGA account' and 'account beneficiary' have the meaning given such terms in section 530A(b).".

(b) PENALTY FOR NEGLIGENT CLAIM OR FRAUDULENT CLAIM.—Part I of subchapter A of chapter 68 of subtitle F is amended by adding at the end the following new section:

"SEC. 6659. IMPROPER CLAIM FOR MAGA ACCOUNT CONTRIBUTION PILOT PROGRAM CREDIT.

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

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

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

"(b) DEFINITIONS.—The terms 'negligence' and 'disregard' have the same meaning as when such terms are used in section 6662.".

(c) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (Y), by striking the period at the end of subparagraph (Z) and inserting ", and" , and by inserting after subparagraph (Z) the following new subparagraph:

"(AA) an omission of a correct social security number required under section 6434(d)(1) (relating to the MAGA accounts contribution pilot program).".

(d) CLERICAL AMENDMENTS.—

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

"Sec. 6434. MAGA accounts contribution pilot program.".

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

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

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

PART 3—INVESTING IN HEALTH OF AMERICAN FAMILIES AND WORKERS

SEC. 110201. TREATMENT OF HEALTH REIMBURSEMENT ARRANGEMENTS INTEGRATED WITH INDIVIDUAL MARKET COVERAGE.

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

(1) by striking "EXCEPTION.—Notwithstanding subsection (a)" and inserting the following: "EXCEPTIONS.—

"(1) SELF-INSURED GROUP HEALTH PLANS.—Notwithstanding subsection (a)", and

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

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

"(A) IN GENERAL.—For purposes of this subchapter, a custom health option and individual care expense arrangement shall be treated as meeting the requirements of section 9802 and sections 2705, 2711, 2713, and 2715 of title XXVII of the Public Health Service Act.

"(B) CUSTOM HEALTH OPTION AND INDIVIDUAL CARE EXPENSE ARRANGEMENTS DEFINED.—For purposes of this section, the term 'custom health option and individual care expense arrangement' means a health reimbursement arrangement—

"(i) which is an employer-provided group health plan funded solely by employer contributions to provide payments or reimbursements for medical care subject to a maximum fixed dollar amount for a period,

"(ii) under which such payments or reimbursements may only be made for medical care provided during periods during which the individual is covered—

"(I) under individual health insurance coverage (other than coverage that consists solely of excepted benefits), or

"(II) under part A and B of title XVIII of the Social Security Act or part C of such title,

"(iii) which meets the nondiscrimination requirements of subparagraph (C),

"(iv) which meets the substantiation requirements of subparagraph (D), and

"(v) which meets the notice requirements of subparagraph (E).

"(C) NONDISCRIMINATION.—

"(i) IN GENERAL.—An arrangement meets the requirements of this subparagraph if an employer offering such arrangement to an employee within a specified class of employee—

"(I) offers such arrangement to all employees within such specified class on the same terms, and

"(II) does not offer any other group health plan (other than an account-based group health plan or a group health plan that consists solely of excepted benefits) to any employees within such specified class.

In the case of an employer who offers a group health plan provided through health insurance coverage in the small group market (that is subject to section 2701 of the Public Health Service Act) to all employees within such specified class, subclause (II) shall not apply to such group health plan.

"(ii) SPECIFIED CLASS OF EMPLOYEE.—For purposes of this subparagraph, any of the following may be designated as a specified class of employee:

"(I) Full-time employees.

"(II) Part-time employees.

"(III) Salaried employees.

"(IV) Non-salaried employees.

"(V) Employees whose primary site of employment is in the same rating area.

"(VI) Employees who are included in a unit of employees covered under a collective bargaining agreement to which the employer is subject (determined under rules similar to the rules of section 105(h)).

"(VII) Employees who have not met a group health plan, or health insurance issuer offering group health insurance coverage, waiting period requirement that satisfies section 2708 of the Public Health Service Act.

"(VIII) Seasonal employees.

"(IX) Employees who are nonresident aliens and who receive no earned income (within the meaning of section 911(d)(2)) from the employer which constitutes income from sources within the United States (within the meaning of section 861(a)(3)).

"(X) Such other classes of employees as the Secretary may designate.

An employer may designate (in such manner as is prescribed by the Secretary) two or more of the classes described in the preceding subclauses as the specified class of employees to which the arrangement is offered for purposes of applying this subparagraph.

"(iii) SPECIAL RULE FOR NEW HIRES.—An employer may designate prospectively so much of a specified class of employees as are hired after a date set by the employer. Such subclass of employees shall be treated as the specified class for purposes of applying clause (i).

"(iv) RULES FOR DETERMINING TYPE OF EMPLOYEE.—For purposes for clause (ii), any determination of full-time, part-time, or seasonal employment status shall be made under rules similar to the rules of section 105(h) or 4980H, whichever the employer elects for the plan year. Such election shall apply with respect to all employees of the employer for the plan year.

"(v) PERMITTED VARIATION.—For purposes of clause (i)(I), an arrangement shall not fail to be treated as provided on the same terms within a specified class

merely because the maximum dollar amount of payments and reimbursements which may be made under the terms of the arrangement for the year with respect to each employee within such class—

"(I) increases as additional dependents of the employee are covered under the arrangement, and

"(II) increases with respect to a participant as the age of the participant increases, but not in excess of an amount equal to 300 percent of the lowest maximum dollar amount with respect to such a participant determined without regard to age.

"(D) SUBSTANTIATION REQUIREMENTS.—An arrangement meets the requirements of this subparagraph if the arrangement has reasonable procedures to substantiate—

"(i) that the participant and any dependents are, or will be, enrolled in coverage described in subparagraph (B)(ii) as of the beginning of the plan year of the arrangement (or as of the beginning of coverage under the arrangement in the case of an employee who first becomes eligible to participate in the arrangement after the date notice is given with respect to the plan under subparagraph (E) (determined without regard to clause (iii) thereof), and

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

"(E) NOTICE.—

"(i) IN GENERAL.—Except as provided in clause (iii), an arrangement meets the requirements of this subparagraph if, under the arrangement, each employee eligible to participate is, not later than 60 days before the beginning of the plan year, given written notice of the employee's rights and obligations under the arrangement which—

"(I) is sufficiently accurate and comprehensive to apprise the employee of such rights and obligations, and

"(II) is written in a manner calculated to be understood by the average employee eligible to participate.

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

"(iii) NOTICE DEADLINE FOR CERTAIN EMPLOYEES.—In the case of an employee—

"(I) who first becomes eligible to participate in the arrangement after the date notice is given with respect to the plan under clause (i) (determined without regard to this clause), or

"(II) whose employer is first established fewer than 120 days before the beginning of the first plan year of the arrangement,

the requirements of this subparagraph shall be treated as met if the notice required under clause (i) is provided not later than the date the arrangement may take effect with respect to such employee.".

(b) INCLUSION OF CHOICE ARRANGMENT PERMITTED BENEFITS ON W–2.—

(1) IN GENERAL.—Section 6051(a), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of paragraph (17), by striking the period at the end of paragraph (18) and inserting ", and", and by inserting after paragraph (18) the following new paragraph:

"(19) the total amount of permitted benefits for enrolled individuals under a custom health option and individual care expense arrangement (as defined in section 9815(b)(2)) with respect to such employee.".

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

(1) NO INFERENCE.—To the extent not inconsistent with the amendments made by this section—

(A) no inference shall be made from such amendments with respect to the rules prescribed in the Federal Register on June 20, 2019, (84 Fed. Reg. 28888) relating to health reimbursement arrangements and other account-based group health plans, and

(B) any reference to custom health option and individual care expense arrangements shall for purposes of such rules be treated as including a reference to individual coverage health reimbursement arrangements.

(2) OTHER CONFORMING OF RULES.—The Secretary of the Treasury, the Secretary of Health and Human Services, and the Secretary of Labor shall modify such rules as may be necessary to conform to the amendments made by this section.

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

SEC. 110202. PARTICIPANTS IN CHOICE ARRANGEMENT ELIGIBLE FOR PURCHASE OF EXCHANGE INSURANCE UNDER CAFETERIA PLAN.

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

"(C) EXCEPTION FOR PARTICIPANTS IN CHOICE ARRANGEMENT.—Subparagraph (A) shall not apply in the case of an employee participating in a custom health option and individual care expense arrangement (within the meaning of section 9815(b)(2)) offered by the employee's employer.".

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

SEC. 110203. EMPLOYER CREDIT FOR CHOICE ARRANGEMENT.

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

"SEC. 45BB. EMPLOYER CREDIT FOR CHOICE ARRANGEMENT.

"(a) IN GENERAL.—For purposes of section 38, in the case of an eligible employer, the CHOICE arrangement credit determined under this section for any taxable year is an amount, with respect

to each employee enrolled during the credit period in a CHOICE arrangement maintained by the employer, equal to—

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

"(2) one-half of the dollar amount in effect under paragraph (1) for the taxable year, multiplied by the number of months for which the employee is so enrolled during the second year of the credit period.

"(b) ARRANGEMENT MUST CONSTITUTE MINIMUM ESSENTIAL COVERAGE.—An employee shall not be taken into account under subsection (a) unless such employee's eligibility for the CHOICE arrangement (determined without regard to the employee being enrolled) would cause the employee to be treated under section 36B(c)(2) as being eligible for minimum essential coverage consisting of an eligible employer-sponsored plan (as defined in section 5000A(f)(2)).

"(c) DEFINITIONS.—For purposes of this section—

"(1) CHOICE ARRANGEMENT.—The term 'CHOICE arrangement' means a custom health option and individual care expense arrangement (as defined in section 9815(b)(2)(B)).

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

"(3) ELIGIBLE EMPLOYER.—The term 'eligible employer' means, with respect to any taxable year beginning in a calendar year, an employer who is not an applicable large employer for the calendar year under section 4980H.

"(d) INFLATION ADJUSTMENT.—

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

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) ROUNDING.—If any amount after adjustment under paragraph (1) is not a multiple of $10, such amount shall be rounded to the next lower multiple of $10.".

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) is amended by striking "plus" at the end of paragraph (40), by striking the period at the end of paragraph (41) and inserting ", plus", and by adding at the end the following new paragraph:

"(42) the CHOICE arrangement credit determined under section 45BB(a).".

(c) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.—Section 38(c)(4)(B) is amended—

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

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

"(x) the credit determined under section 45BB,".

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

"Sec. 45BB. Employer credit for CHOICE arrangement.".

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

SEC. 110204. INDIVIDUALS ENTITLED TO PART A OF MEDICARE BY REASON OF AGE ALLOWED TO CONTRIBUTE TO HEALTH SAVINGS ACCOUNTS.

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

"(iv) entitlement to hospital insurance benefits under part A of title XVIII of the Social Security Act by reason of section 226(a) of such Act.".

(b) TREATMENT OF HEALTH INSURANCE PURCHASED FROM ACCOUNT.—Section 223(d)(2)(C)(iv) is amended by inserting "and who is not an eligible individual" after "who has attained the age specified in section 1811 of the Social Security Act".

(c) COORDINATION WITH PENALTY ON DISTRIBUTIONS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—Section 223(f)(4)(C) is amended by striking "Subparagraph (A)" and inserting "Except in the case of an eligible individual, subparagraph (A)"

(d) CONFORMING AMENDMENT.—Section 223(b)(7) is amended by inserting "(other than an entitlement to benefits described in subsection (c)(1)(B)(iv))" after "Social Security Act".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2025.

SEC. 110205. TREATMENT OF DIRECT PRIMARY CARE SERVICE ARRANGEMENTS.

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

"(E) TREATMENT OF DIRECT PRIMARY CARE SERVICE ARRANGEMENTS.—

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

"(ii) DIRECT PRIMARY CARE SERVICE ARRANGEMENT.—For purposes of this subparagraph—

"(I) IN GENERAL.—The term 'direct primary care service arrangement' means, with respect to any individual, an arrangement under which such individual is provided medical care (as defined in section 213(d)) consisting solely of primary care services provided by primary care practitioners (as defined in section 1833(x)(2)(A) of the Social Security Act, determined without regard to clause (ii) thereof), if the sole compensation for such care is a fixed periodic fee.

"(II) LIMITATION.—With respect to any individual for any month, such term shall not include any arrangement if the aggregate fees for all direct primary care service arrangements (deter-

mined without regard to this subclause) with respect to such individual for such month exceed $150 (twice such dollar amount in the case of an individual with any direct primary care service arrangement (as so determined) that covers more than one individual).

"(iii) CERTAIN SERVICES SPECIFICALLY EXCLUDED FROM TREATMENT AS PRIMARY CARE SERVICES.—For purposes of this subparagraph, the term 'primary care services' shall not include—

"(I) procedures that require the use of general anesthesia,

"(II) prescription drugs (other than vaccines), and

"(III) laboratory services not typically administered in an ambulatory primary care setting.

The Secretary, after consultation with the Secretary of Health and Human Services, shall issue regulations or other guidance regarding the application of this clause.".

(b) DIRECT PRIMARY CARE SERVICE ARRANGEMENT FEES TREATED AS MEDICAL EXPENSES.—Section 223(d)(2)(C) is amended by striking "or" at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", or", and by adding at the end the following new clause:

"(v) any direct primary care service arrangement.".

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

(1) by inserting ", (c)(1)(E)(ii)(II)," after "(b)(2)" each place it appears, and

(2) in subparagraph (B), by striking "clause (ii)" in clause (i) and inserting "clauses (ii) and (iii)" , by striking "and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", and", and by inserting after clause (ii) the following new clause:

"(iii) in the case of the dollar amount in subsection (c)(1)(E)(ii)(II) for taxable years beginning in calendar years after 2026, 'calendar year 2025'.".".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2025.

SEC. 110206. ALLOWANCE OF BRONZE AND CATASTROPHIC PLANS IN CONNECTION WITH HEALTH SAVINGS ACCOUNTS.

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

"(H) BRONZE AND CATASTROPHIC PLANS TREATED AS HIGH DEDUCTIBLE HEALTH PLANS.—The term 'high deductible health plan' shall include any plan—

"(i) available as individual coverage through an Exchange established under section 1311 or 1321 of the Patient Protection and Affordable Care Act, and

"(ii) described in subsection (d)(1)(A) or (e) of section 1302 of such Act.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to months beginning after December 31, 2025.

SEC. 110207. ON-SITE EMPLOYEE CLINICS.

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

"(F) SPECIAL RULE FOR QUALIFIED ITEMS AND SERVICES.—

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

"(I) at a healthcare facility located at a facility owned or leased by the employer of the individual (or of the individual's spouse), or

"(II) at a healthcare facility operated primarily for the benefit of employees of the employer of the individual (or of the individual's spouse).

"(ii) QUALIFIED ITEMS AND SERVICES DEFINED.—For purposes of this subparagraph, the term 'qualified items and services' means the following:

"(I) Physical examination.

"(II) Immunizations, including injections of antigens provided by employees.

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

"(IV) Treatment for injuries occurring in the course of employment.

"(V) Preventive care for chronic conditions (as defined in clause (iv)).

"(VI) Drug testing.

"(VII) Hearing or vision screenings and related services.

"(iii) AGGREGATION.—For purposes of clause (i), all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as a single employer.

"(iv) PREVENTIVE CARE FOR CHRONIC CONDITIONS.—For purposes of this subparagraph, the term 'preventive care for chronic conditions' means any item or service specified in the Appendix of Internal Revenue Service Notice 2019–45 which is prescribed to treat an individual diagnosed with the associated chronic condition specified in such Appendix for the purpose of preventing the exacerbation of such chronic condition or the development of a secondary condition, including any amendment, addition, removal, or other modification made by the Secretary (pursuant to the authority granted to the Secretary under paragraph (2)(C)) to the items or services specified in such Appendix subsequent to the date of publication of such Notice.".

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

SEC. 110208. CERTAIN AMOUNTS PAID FOR PHYSICAL ACTIVITY, FITNESS, AND EXERCISE TREATED AS AMOUNTS PAID FOR MEDICAL CARE.

(a) IN GENERAL.—Section 223(d)(2)(A) is amended by adding at the end the following: "For purposes of this subparagraph, amounts paid for qualified sports and fitness expenses shall be treated as paid for medical care.".

(b) QUALIFIED SPORTS AND FITNESS EXPENSES.—Section 223(d)(2) is amended by adding at the end the following new subparagraph:

"(E) QUALIFIED SPORTS AND FITNESS EXPENSES.—For purposes of this paragraph—

"(i) IN GENERAL.—The term 'qualified sports and fitness expenses' means amounts paid exclusively for the sole purpose of participating in a physical activity including—

"(I) for membership at a fitness facility, or

"(II) for participation or instruction in physical exercise or physical activity.

"(ii) OVERALL DOLLAR LIMITATION.—

"(I) IN GENERAL.—The aggregate amount treated as qualified sports and fitness expenses with respect to any taxpayer for any taxable year shall not exceed $500 ($1,000 in the case of a joint return or a head of household (as defined in section 2(b))).

"(II) MONTHLY LIMIT.—The amount taken into account under subparagraph (A) as paid for participating in a physical activity during a month beginning during the taxable year shall not exceed an amount equal to 1/12 of the amount in effect with respect to the taxpayer for the taxable year under subclause (I).

"(iii) FITNESS FACILITY.—For purposes of clause (i)(I), the term 'fitness facility' means a facility—

"(I) which provides instruction in a program of physical exercise, offers facilities for the preservation, maintenance, encouragement, or development of physical fitness, or serves as the site of such a program of a State or local government,

"(II) which is not a private club owned and operated by its members,

"(III) which does not offer golf, hunting, sailing, or riding facilities,

"(IV) the health or fitness component of which is not incidental to its overall function and purpose, and

"(V) which is fully compliant with the State of jurisdiction and Federal anti-discrimination laws.

"(iv) TREATMENT OF PERSONAL TRAINERS, EXERCISE VIDEOS, ETC.—The term 'qualified sports and fitness expenses' shall not include any amount paid for—

"(I) videos, books, or similar materials,

"(II) remote or virtual instruction in a physical exercise or physical activity, unless such instruction is live, or

"(III) one-on-one personal training.

"(v) PROGRAMS WHICH INCLUDE COMPONENTS OTHER THAN PHYSICAL EXERCISE AND PHYSICAL ACTIVITY.—Rules similar to the rules of section 213(d)(6) shall apply in the case of any program that includes physical exercise or physical activity and also other components. For purposes of the preceding sentence, travel and accommodations shall be treated as a separate component.

"(vi) MEMBERSHIP, PARTICIPATION, AND INSTRUCTION MUST BE CONTINUING.—An amount shall not be treated as paid for the purpose of participating in a physical activity unless—

"(I) in the case of a membership at a fitness facility, such membership is for more than 1 day, and

"(II) in the case of participation or instruction in physical exercise or physical activity, the amount paid constitutes payment for more than 1 occasion of such participation or instruction.

"(vii) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2026, each dollar amount in clause (ii)(I) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If any increase under the preceding sentence is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.".

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

SEC. 110209. ALLOW BOTH SPOUSES TO MAKE CATCH-UP CONTRIBUTIONS TO THE SAME HEALTH SAVINGS ACCOUNT.

(a) IN GENERAL.—Section 223(b)(5) is amended to read as follows:

"(5) SPECIAL RULE FOR MARRIED INDIVIDUALS WITH FAMILY COVERAGE.—

"(A) IN GENERAL.—In the case of individuals who are married to each other, if both spouses are eligible individuals and either spouse has family coverage under a high deductible health plan as of the first day of any month—

"(i) the limitation under paragraph (1) shall be applied by not taking into account any other high deductible health plan coverage of either spouse (and if such spouses both have family coverage under separate high deductible health plans, only one such coverage shall be taken into account),

"(ii) such limitation (after application of clause (i)) shall be reduced by the aggregate amount paid to Archer MSAs of such spouses for the taxable year, and

"(iii) such limitation (after application of clauses (i) and (ii)) shall be divided equally between such spouses unless they agree on a different division.

"(B) TREATMENT OF ADDITIONAL CONTRIBUTION AMOUNTS.—If both spouses referred to in subparagraph (A) have attained age 55 before the close of the taxable year, the limitation referred to in subparagraph (A)(iii) which is subject to division between the spouses shall include the additional contribution amounts determined under paragraph (3) for both spouses. In any other case, any additional contribution amount determined under paragraph (3) shall not be taken into account under subparagraph (A)(iii) and shall not be subject to division between the spouses.".

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

SEC. 110210. FSA AND HRA TERMINATIONS OR CONVERSIONS TO FUND HSAs.

(a) IN GENERAL.—Section 106(e)(2) is amended to read as follows:

"(2) QUALIFIED HSA DISTRIBUTION.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified HSA distribution' means, with respect to any employee, a distribution from a health flexible spending arrangement or health reimbursement arrangement of such employee contributed directly to a health savings account of such employee if—

"(i) such distribution is made in connection with such employee establishing coverage under a high deductible health plan (as defined in section 223(c)(2)) if during the 4-year period preceding the date the employee so establishes coverage the employee was not covered under such a high deductible health plan, and

"(ii) such arrangement is described in section 223(c)(1)(B)(v) with respect to any portion of the plan year remaining after such distribution is made, if such employee remains enrolled in such arrangement.

"(B) DOLLAR LIMITATION.—The aggregate amount of distributions from health flexible spending arrangements and health reimbursement arrangements of any employee which may be treated as qualified HSA distributions in connection with an establishment of coverage described in subparagraph (A)(i) shall not exceed the dollar amount in effect under section 125(i)(1) (twice such amount in the case of coverage which is described in section 223(b)(2)(B)).".

(b) PARTIAL REDUCTION OF LIMITATION ON DEDUCTIBLE HSA CONTRIBUTIONS.—Section 223(b)(4) is amended by striking "and" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", and", and by inserting after subparagraph (C) the following new subparagraph:

"(D) so much of any qualified HSA distribution (as defined in section 106(e)(2)) made to a health savings account of such individual during the taxable year as does not exceed the aggregate increases in the balance of the

arrangement from which such distribution is made which occur during the portion of the plan year which precedes such distribution (other than any balance carried over to such plan year and determined without regard to any decrease in such balance during such portion of the plan year).".

(c) CONVERSION TO HSA-COMPATIBLE ARRANGEMENT FOR REMAINDER OF PLAN YEAR.—Section 223(c)(1)(B), as amended by this preceding provisions of this Act, is amended by striking "and" at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", and", and by adding at the end the following new clause:

"(v) coverage under a health flexible spending arrangement or health reimbursement arrangement for the portion of the plan year after a qualified HSA distribution (as defined in section 106(e)(2) determined without regard to subparagraph (A)(ii) thereof) is made, if the terms of such arrangement which apply for such portion of the plan year are such that, if such terms applied for the entire plan year, then such arrangement would not be taken into account under subparagraph (A)(ii) of this paragraph for such plan year.".

(d) INCLUSION OF QUALIFIED HSA DISTRIBUTIONS ON W–2.—

(1) IN GENERAL.—Section 6051(a), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of paragraph (18), by striking the period at the end of paragraph (19) and inserting ", and", and by inserting after paragraph (19) the following new paragraph:

"(20) the amount of any qualified HSA distribution (as defined in section 106(e)(2)) with respect to such employee.".

(2) CONFORMING AMENDMENT.—Section 6051(a)(12) is amended by inserting "(other than any qualified HSA distribution, as defined in section 106(e)(2))" before the comma at the end.

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

SEC. 110211. SPECIAL RULE FOR CERTAIN MEDICAL EXPENSES INCURRED BEFORE ESTABLISHMENT OF HEALTH SAVINGS ACCOUNT.

(a) IN GENERAL.—Section 223(d)(2), as amended by the preceding provisions of this Act, is amended by adding at the end the following new subparagraph:

"(F) TREATMENT OF CERTAIN MEDICAL EXPENSES INCURRED BEFORE ESTABLISHMENT OF ACCOUNT.—If a health savings account is established during the 60-day period beginning on the date that coverage of the account beneficiary under a high deductible health plan begins, then, solely for purposes of determining whether an amount paid is used for a qualified medical expense, such account shall be treated as having been established on the date that such coverage begins.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to coverage beginning after December 31, 2025.

SEC. 110212. CONTRIBUTIONS PERMITTED IF SPOUSE HAS HEALTH FLEXIBLE SPENDING ARRANGEMENT.

(a) CONTRIBUTIONS PERMITTED IF SPOUSE HAS A HEALTH FLEXIBLE SPENDING ARRANGEMENT.—Section 223(c)(1)(B), as amended by this preceding provisions of this Act, is amended by striking "and" at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and", and by adding at the end the following new clause:

"(vi) coverage under a health flexible spending arrangement of the spouse of the individual for any plan year of such arrangement if the aggregate reimbursements under such arrangement for such year do not exceed the aggregate expenses which would be eligible for reimbursement under such arrangement if such expenses were determined without regard to any expenses paid or incurred with respect to such individual.".

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

SEC. 110213. INCREASE IN HEALTH SAVINGS ACCOUNT CONTRIBUTION LIMITATION FOR CERTAIN INDIVIDUALS.

(a) INCREASE.—

(1) IN GENERAL.—Section 223(b) is amended by adding at the end the following new paragraph:

"(9) INCREASE IN LIMITATION FOR CERTAIN TAXPAYERS.—

"(A) IN GENERAL.—The applicable limitation under subparagraphs (A) and (B) of paragraph (2) shall be increased by $4,300 and $8,550, respectively.

"(B) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—The amount of the increase under subparagraph (A) (determined without regard to this subparagraph) shall be reduced (but not below zero) by the amount which bears the same ratio to the amount of such increase (as so determined) as—

"(i) the excess (if any) of—

"(I) the taxpayer's adjusted gross income for such taxable year, over

"(II) $75,000 ($150,000 in the case of a joint return, if the eligible individual has family coverage), bears to

"(ii) $25,000 ($50,000 in the case of a joint return, if the eligible individual has family coverage).

For purposes of the preceding sentence, adjusted gross income shall be determined in the same manner as under section 219(g)(3)(A), except determined without regard to any deduction allowed under this section.".

(2) ONLY TO APPLY TO EMPLOYEE CONTRIBUTIONS.—Section 106(d)(1) is amended by inserting "and section 223(b)(9)" after "determined without regard to this subsection".

(b) INFLATION ADJUSTMENT.—Section 223(g), as amended by the preceding provisions of this Act, is amended—

(1) by inserting ", (b)(9)(A), (b)(9)(B)(i)(II)," before "and (c)(2)(A)" each place it appears,

(2) by striking "clauses (ii) and (ii)" in paragraph (1)(B)(i) and inserting "clauses (ii), (iii), and (iv)",

(3) by striking "and" at the end of paragraph (1)(B)(ii),

(4) by striking the period at the end of paragraph (1)(B)(iii) and inserting ", and", and

(5) by inserting after paragraph (1)(B)(iii) the following new clause:

"(iv) in the case of the dollar amounts in subsections (b)(9)(A) and (b)(9)(B)(i)(II), 'calendar year 2025'.".

(c) EFFECTIVE DATE.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2025.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2026.

SEC. 110214. REGULATIONS.

The Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this part.

Subtitle B—Make Rural America and Main Street Grow Again

PART 1—EXTENSION OF TAX CUTS AND JOBS ACT REFORMS FOR RURAL AMERICA AND MAIN STREET

SEC. 111001. EXTENSION OF SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN PROPERTY.

(a) IN GENERAL.—Section 168(k) is amended—

(1) in paragraph (2)—

(A) by striking "January 1, 2027" each place it appears and inserting "January 1, 2030", and

(B) in subparagraph (B)—

(i) in clause (i)(II), by striking "January 1, 2028" and inserting "January 1, 2031", and

(ii) in the heading of clause (ii), by striking "PRE-JANUARY 1, 2027 BASIS" and inserting "PRE-JANUARY 1, 2030 BASIS",

(2) in paragraph (5)(A), by striking "January 1, 2027" and inserting "January 1, 2030", and

(3) in paragraph (6)—

(A) in subparagraph (A)—

(i) by inserting "in the case of property acquired by the taxpayer before January 20, 2025," after "Except as otherwise provided in this paragraph" , and

(ii) by striking "and" at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and", and by adding at the end the following new clause:

"(vi) in the case of property placed in service after December 31, 2026, 0 percent.",

(B) in subparagraph (B)—

(i) by striking "In the case of property described" and inserting "In the case of property acquired by the taxpayer before January 20, 2025 and described", and

(ii) by striking "and" at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and", and by adding at the end the following new clause:

"(vi) in the case of property placed in service after December 31, 2027, 0 percent.",

(C) in subparagraph (C), by inserting "and" at the end of clause (iii), by striking clauses (iv) and (v), and by adding at the end the following new clause:

"(iv) in the case of a plant which is planted or grafted after January 19, 2025, and before January 1, 2030, 100 percent.", and

(D) by adding at the end the following new subparagraph:

"(D) RULE FOR PROPERTY ACQUIRED AFTER JANUARY 19, 2025.—

"(i) IN GENERAL.—In the case of property acquired by the taxpayer after January 19, 2025 and placed in service after such date and before January 1, 2030 (January 1, 2031, in the case of property described in subparagraph (B) or (C) of paragraph (2)), the term 'applicable percentage' means 100 percent.

"(ii) ACQUISITION DATE DETERMINATION.—For purposes of clause (i), property shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition.".

(b) CONFORMING AMENDMENT.—Section 460(c)(6)(B) is amended by striking "which" and all that follows through the period and inserting "which has a recovery period of 7 years or less.".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided by paragraph (2), the amendments made by this section shall apply to property acquired after January 19, 2025 and placed in service after such date.

(2) SPECIFIED PLANTS.—The amendments made by this section shall apply to specified plants planted or grafted after January 19, 2025.

SEC. 111002. DEDUCTION OF DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) SUSPENSION OF AMORTIZATION FOR DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.—Section 174 is amended by adding at the end the following new subsection:

"(e) SUSPENSION OF APPLICATION TO DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.—In the case of any domestic research or experimental expenditures (as defined in section 174A(b)), this section shall not apply to such expenditures paid or incurred in taxable years beginning after December 31, 2024, and before January 1, 2030.".

(b) REINSTATEMENT OF EXPENSING FOR DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.—Part VI of subchapter B of chapter 1 is amended by inserting after section 174 the following new section:

"SEC. 174A. TEMPORARY RULES FOR DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.

"(a) TREATMENT AS EXPENSES.—Notwithstanding section 263, there shall be allowed as a deduction any domestic research or experimental expenditures which are paid or incurred by the taxpayer during the taxable year.

"(b) DOMESTIC RESEARCH OR EXPERIMENTAL EXPENDITURES.—For purposes of this section, the term 'domestic research or experimental expenditures' means research or experimental expenditures paid or incurred by the taxpayer in connection with the taxpayer's trade or business other than such expenditures which are attributable to foreign research (within the meaning of section 41(d)(4)(F)).

"(c) AMORTIZATION OF CERTAIN DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.—

"(1) IN GENERAL.—At the election of the taxpayer, made in accordance with regulations or other guidance provided by the Secretary, in the case of domestic research or experimental expenditures which would (but for subsection (a)) be chargeable to capital account but not chargeable to property of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611 (relating to allowance for depletion), subsection (a) shall not apply and the taxpayer shall—

"(A) charge such expenditures to capital account, and

"(B) be allowed an amortization deduction of such expenditures ratably over such period of not less than 60 months as may be selected by the taxpayer (beginning with the midpoint of the taxable year in which such expenditures are paid or incurred).

"(2) TIME FOR AND SCOPE OF ELECTION.—The election provided by paragraph (1) may be made for any taxable year, but only if made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof). The method so elected, and the period selected by the taxpayer, shall be adhered to in computing taxable income for the taxable year for which the election is made and for all subsequent taxable years unless, with the approval of the Secretary, a change to a different method (or to a different period) is authorized with respect to part or all of such expenditures. The election shall not apply to any expenditure paid or incurred during any taxable year before the taxable year for which the taxpayer makes the election.

"(d) SPECIAL RULES.—

"(1) LAND AND OTHER PROPERTY.—This section shall not apply to any expenditure for the acquisition or improvement of land, or for the acquisition or improvement of property to be used in connection with the research or experimentation and of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611

(relating to allowance for depletion); but for purposes of this section allowances under section 167, and allowances under section 611, shall be considered as expenditures.

"(2) EXPLORATION EXPENDITURES.—This section shall not apply to any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas).

"(3) SOFTWARE DEVELOPMENT.—For purposes of this section, any amount paid or incurred in connection with the development of any software shall be treated as a research or experimental expenditure.

"(e) TERMINATION.—

"(1) IN GENERAL.—This section shall not apply to amounts paid or incurred in taxable years beginning after December 31, 2029.

"(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of a taxpayer's first taxable year beginning after December 31, 2029, paragraph (1) (and the corresponding application of section 174) shall be treated as a change in method of accounting for purposes of section 481 and—

"(A) such change shall be treated as initiated by the taxpayer,

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

"(C) such change shall be applied only on a cut-off basis for any domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2029, and no adjustment under section 481(a) shall be made.".

(c) TREATMENT OF FOREIGN RESEARCH OR EXPERIMENTAL EXPENDITURES UPON DISPOSITION.—Section 174(d) is amended by inserting "or reduction to amount realized" after "no deduction".

(d) COORDINATION WITH CERTAIN OTHER PROVISIONS.—

(1) RESEARCH CREDIT.—

(A) Section 41(d)(1)(A) is amended by inserting "or domestic research or experimental expenditures under section 174A" after "section 174".

(B) Section 280C(c) is amended by adding at the end the following new paragraph:

"(4) DOMESTIC RESEARCH OR EXPERIMENTAL EXPENDITURES.—The domestic research or experimental expenditures otherwise taken into account under section 174A shall be reduced by the amount of the credit allowed under section 41(a).".

(C) Section 280C(c) is amended—

(i) in paragraph (1)(B)—

(I) by striking "a deduction" and inserting "an amortization deduction", and

(II) by inserting "under section 174" after "basic research expenses", and

(ii) in paragraph (2)(A)(i), by striking "paragraph (1)" and inserting "paragraphs (1) and (4)".

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

(A) by striking "174(a)" each place it appears and inserting "174A(a)", and

(B) by adding at the end of subparagraph (A) the following new flush sentence:

"In the case of research and experimental expenditures charged to capital account and amortized under section 174 or 174A, such amounts shall be amortized for purposes of this subsection as provided in clause (ii).".

(3) OPTIONAL 10-YEAR WRITEOFF.—Section 59(e)(2)(B) is amended by striking "section 174(a) (relating to research and experimental expenditures)" and inserting "section 174A(a) (relating to temporary rules for domestic research and experimental expenditures)".

(4) QUALIFIED SMALL ISSUE BONDS.—Section 144(a)(4)(C)(iv) is amended by inserting "or 174A(a)" after "174(a)".

(5) START-UP EXPENDITURES.—Section 195(c)(1) is amended by striking "or 174" in the last sentence and inserting "174, or 174A".

(6) CAPITAL EXPENDITURES.—

(A) Section 263(a)(1)(B) is amended by inserting " or 174A" after "174".

(B) Section 263A(c)(2) is amended by inserting "or 174A" after "174".

(7) ACTIVE BUSINESS COMPUTER SOFTWARE ROYALTIES.—Section 543(d)(4)(A)(i) is amended by inserting "174A," after "174,".

(8) SOURCE RULES.—Section 864(g)(2) is amended in the last sentence—

(A) by striking "treated as deferred expenses under subsection (b) of section 174" and inserting "allowed as an amortization deduction under section 174(a) or section 174A(c),", and

(B) by striking "such subsection" and inserting "such section (as the case may be)".

(9) BASIS ADJUSTMENT.—Section 1016(a)(14) is amended by striking "deductions as deferred expenses under section 174(b)(1) (relating to research and experimental expenditures)" and inserting "deductions under section 174 or 174A(c)".

(10) SMALL BUSINESS STOCK.—Section 1202(e)(2)(B) is amended by striking "research and experimental expenditures under section 174" and inserting "specified research or experimental expenditures under section 174 or domestic research or experimental expenditures under section 174A".

(e) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by inserting after the item relating to section 174 the following new item:

"Sec. 174A. Temporary rules for domestic research and experimental expenditures.".

(f) EFFECTIVE DATE AND SPECIAL RULE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2024.

(2) TREATMENT OF FOREIGN RESEARCH OR EXPERIMENTAL EXPENDITURES UPON DISPOSITION.—The amendment made by sub-

section (c) shall apply to property disposed, retired, or abandoned after May 12, 2025.

(3) COORDINATION WITH RESEARCH CREDIT.—The amendments made by subparagraphs (B) and (C) of subsection (d)(1) shall apply to taxable years beginning after December 31, 2024.

(4) SPECIAL RULE FOR SHORT TAXABLE YEARS.—The Secretary of the Treasury may prescribe such rules as are necessary or appropriate to provide for the application of the amendments made by this section in the case of any taxable year of less than 12 months that begins after December 31, 2024, and ends before the date of the enactment of this Act.

(5) CHANGE IN METHOD OF ACCOUNTING.—The amendments made by this section shall be treated as a change in method of accounting for purposes of section 481 of the Internal Revenue Code of 1986 and—

(A) such change shall be treated as initiated by the taxpayer,

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

(C) such change shall be applied only on a cut-off basis for any research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024, and no adjustments under section 481(a) shall be made.

(6) NO INFERENCE.—The amendments made by subparagraphs (B) and (C) of subsection (d)(1) shall not be construed to create any inference with respect to the proper application of section 280C(c) of the Internal Revenue Code of 1986 with respect to taxable years beginning before January 1, 2025.

SEC. 111003. MODIFIED CALCULATION OF ADJUSTED TAXABLE INCOME FOR PURPOSES OF BUSINESS INTEREST DEDUCTION.

(a) IN GENERAL.—Section 163(j)(8)(A)(v) is amended by striking "beginning before January 1, 2022" and inserting "beginning after December 31, 2024 and before January 1, 2030".

(b) FLOOR PLAN FINANCING APPLICABLE TO CERTAIN TRAILERS AND CAMPERS.—Section 163(j)(9)(C) is amended by adding at the end the following new flush sentence:

"Such term shall also include any trailer or camper which is designed to provide temporary living quarters for recreational, camping, or seasonal use and is designed to be towed by, or affixed to, a motor vehicle.".

(c) EFFECTIVE DATE AND SPECIAL RULE.—

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

(2) SPECIAL RULE FOR SHORT TAXABLE YEARS.—The Secretary of the Treasury may prescribe such rules as are necessary or appropriate to provide for the application of the amendments made by this section in the case of any taxable year of less than 12 months that begins after December 31, 2024, and ends before the date of the enactment of this Act.

SEC. 111004. EXTENSION OF DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME.

(a) IN GENERAL.—Section 250(a) is amended by striking paragraph (3).

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

SEC. 111005. EXTENSION OF BASE EROSION MINIMUM TAX AMOUNT.

(a) IN GENERAL.—Section 59A(b) is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(b) CONFORMING AMENDMENTS.—

(1) Section 59A(b)(1) is amended by striking "Except as provided in paragraphs (2) and (3)" and inserting "Except as provided in paragraph (2)".

(2) Section 59A(b)(2), as redesignated by subsection (a)(2), is amended by striking "the percentage otherwise in effect under paragraphs (1)(A) and (2)(A) shall each be increased" and inserting "the percentages otherwise in effect under paragraph (1)(A) shall be increased".

(3) Section 59A(e)(1)(C) is amended by striking "in the case of a taxpayer described in subsection (b)(3)(B)" and inserting "in the case of a taxpayer described in subsection (b)(2)(B)".

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

PART 2—ADDITIONAL TAX RELIEF FOR RURAL AMERICA AND MAIN STREET

SEC. 111101. SPECIAL DEPRECIATION ALLOWANCE FOR QUALIFIED PRODUCTION PROPERTY.

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

"(n) SPECIAL ALLOWANCE FOR QUALIFIED PRODUCTION PROPERTY.—

"(1) IN GENERAL.—In the case of any qualified production property—

"(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 100 percent of the adjusted basis of the qualified production property, and

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

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

"(A) IN GENERAL.—The term 'qualified production property' means that portion of any nonresidential real property—

"(i) to which this section applies,

"(ii) which is used by the taxpayer as an integral part of a qualified production activity,

"(iii) which is placed in service in the United States or any possession of the United States,

"(iv) the original use of which commences with the taxpayer,

"(v) the construction of which begins after January 19, 2025, and before January 1, 2029,

"(vi) with respect to which the taxpayer has elected the application of this subsection, and

"(vii) which is placed in service before January 1, 2033.

"(B) SPECIAL RULE FOR CERTAIN PROPERTY NOT PREVIOUSLY USED IN QUALIFIED PRODUCTION ACTIVITIES.—

"(i) IN GENERAL.—In the case of property acquired by the taxpayer during the period described in subparagraph (A)(v), the requirements of clauses (iv) and (v) of subparagraph (A) shall be treated as satisfied if such property was not used in a qualified production activity (determined without regard to the second sentence of subparagraph (D)) by any person at any time during the period beginning on January 1, 2021, and ending on May 12, 2025.

"(ii) WRITTEN BINDING CONTRACTS.—For purposes of determining under clause (i)—

"(I) whether such property is acquired before the period described in subparagraph (A)(v), such property shall be treated as acquired not later than the date on which the taxpayer enters into a written binding contract for such acquisition, and

"(II) whether such property is acquired after such period, such property shall be treated as acquired not earlier than such date.

"(C) EXCLUSION OF OFFICE SPACE, ETC.—The term 'qualified production property' shall not include that portion of any nonresidential real property which is used for offices, administrative services, lodging, parking, sales activities, research activities, software engineering activities, or other functions unrelated to manufacturing, production, or refining of tangible personal property.

"(D) QUALIFIED PRODUCTION ACTIVITY.—The term 'qualified production activity' means the manufacturing, production, or refining of a qualified product. The activities of any taxpayer do not constitute manufacturing, production, or refining of a qualified product unless the activities of such taxpayer result in a substantial transformation of the property comprising the product.

"(E) PRODUCTION.—The term 'production' shall not include activities other than agricultural production and chemical production.

"(F) QUALIFIED PRODUCT.—The term 'qualified product' means any tangible personal property.

"(G) SYNDICATION.—For purposes of subparagraph (A)(iv), rules similar to the rules of subsection (k)(2)(E)(iii) shall apply.

"(3) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, the deduction under section 167 for qualified production property shall be determined under this section without regard to any adjustment under section 56.

"(4) COORDINATION WITH CERTAIN OTHER PROVISIONS.—

"(A) OTHER SPECIAL DEPRECIATION ALLOWANCES.—The term 'qualified production property' shall not include any property to which subsection (k), (l), or (m) applies. For purposes of subsections (k)(7), (l)(3)(D), and (m)(2)(B)(iii), qualified production property to which this subsection applies shall be treated as a separate class of property.

"(B) ALTERNATIVE DEPRECIATION PROPERTY.—The term 'qualified production property' shall not include any property to which the alternative depreciation system under subsection (g) applies. For purposes of subsection (g)(7)(A), qualified production property to which this subsection applies shall be treated as separate nonresidential real property.

"(5) RECAPTURE.—If, at any time during the 10-year period beginning on the date that any qualified production property is placed in service by the taxpayer, such property ceases to be used as described in paragraph (2)(A)(ii) and is used by the taxpayer in a productive use not described in paragraph (2)(A)(ii)—

"(A) section 1245 shall be applied—

"(i) by treating such property as having been disposed of by the taxpayer as of the first time such property is so used in a productive use not described in paragraph (2)(A)(ii), and

"(ii) by treating the amount described in subparagraph (B) of section 1245(a)(1) with respect to such disposition as being not less than the amount described in subparagraph (A) of such section, and

"(B) the basis of the taxpayer in such property, and the taxpayer's allowance for depreciation with respect to such property, shall be appropriately adjusted to take into account amounts recognized by reason of subparagraph (A).

"(6) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance—

"(A) regarding what constitutes a substantial transformation of property, and

"(B) providing for the application of paragraph (5) with respect to a change in use described in such paragraph by a transferee following a fully or partially tax free transfer of qualified production property.".

(b) TREATMENT OF QUALIFIED PRODUCTION PROPERTY AS SECTION 1245 PROPERTY.—Section 1245(a)(3) is amended by striking "or" at the end of subparagraph (E), by striking the period at the end of

subparagraph (F) and inserting ", or", and by adding at the end the following new subparagraph:

"(G) any qualified production property (as defined in section 168(n)(2)).".

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

SEC. 111102. RENEWAL AND ENHANCEMENT OF OPPORTUNITY ZONES.

(a) MODIFICATION OF LOW-INCOME COMMUNITY DEFINITION.—Section 1400Z–1(c)(1) is amended—

(1) by striking "COMMUNITIES.—The term" and inserting the following: "COMMUNITIES.—

"(A) IN GENERAL.—The term", and

(2) by adding at the end the following:

"(B) MODIFICATIONS.—For purposes of subparagraph (A), section 45D(e)(1) shall be applied in subparagraph (B) thereof, by substituting '70 percent' for '80 percent' each place it appears.

"(C) CERTAIN CENSUS TRACTS DISALLOWED.—The term 'low-income community' shall not include any population census tract if—

"(i) in the case of a tract not located within a metropolitan area, the median family income for such tract is at least 125 percent of statewide median family income, or

"(ii) in the case of a tract located within a metropolitan area, the median family income for such tract is at least 125 percent of the metropolitan area median family income.".

(b) NEW ROUND OF QUALIFIED OPPORTUNITY ZONE DESIGNATIONS.—

(1) IN GENERAL.—Section 1400Z–1 is amended by adding at the end the following new subsection:

"(g) NEW ROUND OF QUALIFIED OPPORTUNITY ZONE DESIGNATIONS.—

"(1) IN GENERAL.—In addition to designations under subsection (b), and under rules similar to the rules of such subsection, the Secretary shall designate tracts nominated by the chief executive officers of States for purposes of this section.

"(2) NUMBER OF DESIGNATIONS; PROPORTION OF RURAL AREAS DESIGNATED.—

"(A) IN GENERAL.—Of the low-income communities within a State, the Secretary may designate under this subsection not more than 25 percent as qualified opportunity zones, of which at least the lesser of the following shall be qualified opportunity zones which are comprised entirely of a rural area:

"(i) The applicable percentage of the total number of qualified opportunity zone designations which may be made within the State under this subsection.

"(ii) All low-income communities within the State which are comprised entirely of a rural area.

"(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be, for any cal-

endar year during which a designation is made, the greater of—

"(i) 33 percent, or

"(ii) the percentage of the United States population living within a rural area for the preceding calendar year.

"(3) RURAL AREA.—Whether a low-income community is comprised entirely of a rural area shall be determined by the Secretary in consultation with the Secretary of Agriculture. For purposes of this subsection, the term 'rural area' has the meaning given such term by section 343(a)(13)(A) of the Consolidated Farm and Rural Development Act.

"(4) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—A designation as a qualified opportunity zone under this subsection shall remain in effect for the period beginning on January 1, 2027, and ending on December 31, 2033.

"(5) CONTIGUOUS TRACTS NOT ELIGIBLE.—Subsection (e) shall not apply to designations made under this subsection.".

(2) ELECTION WITH RESPECT TO NEW ROUND OF ZONES.—Section 1400Z–2(a)(2)(B) is amended by striking "December 31, 2026" and inserting "December 31, 2033".

(3) YEAR OF INCLUSION.—Section 1400Z–2(b)(1)(B) is amended to read as follows:

"(B)(i) December 31, 2026, in the case of an amount invested before January 1, 2027, and

"(ii) December 31, 2033, in the case of an amount invested after December 31, 2026, and before January 1, 2034.".

(4) WINDING DOWN INITIAL ZONE DESIGNATIONS.—Section 1400Z–1(f) is amended—

(A) by striking "and ending" and all that follows and inserting the following: "and ending on December 31, 2026.", and

(B) by striking "A designation" and inserting "Except as provided in subsection (g)(4), a designation".

(c) MODIFICATION OF OPPORTUNITY ZONE INVESTMENT INCENTIVES.—

(1) CONSOLIDATED BASIS INCREASES; RURAL ZONE BASIS INCREASE.—Section 1400Z–2(b)(2)(B) is amended by adding at the end the following new clauses:

"(v) CONSOLIDATED BASIS INCREASE FOR INVESTMENTS AFTER 2026.—In the case of investments made after December 31, 2026—

"(I) clauses (iii) and (iv) shall not apply, and

"(II) for any such investment held by the taxpayer for at least 5 years, the basis of such adjustment shall be increased by an amount equal to 10 percent of the amount of gain deferred by reason of subsection (a)(1)(A).

"(vi) SPECIAL RULE FOR RURAL OPPORTUNITY FUNDS.—Clause (v) shall be applied by substituting '30 percent' for '10 percent' in the case of an investment in a qualified rural opportunity fund.

"(vii) QUALIFIED RURAL OPPORTUNITY FUND.—For purposes of clause (vi), a 'qualified rural opportunity fund' means a qualified opportunity fund that holds at least 90 percent of its assets in qualified opportunity zone property which—

"(I) is qualified opportunity zone business property substantially all of the use of which, during substantially all of the fund's holding period for such property, was in a qualified opportunity zone comprised entirely of a rural area, or

"(II) is qualified opportunity zone stock, or a qualified opportunity zone partnership interest, in a qualified opportunity zone business in which substantially all of the tangible property owned or leased is qualified opportunity zone business property described in subsection (d)(3)(A)(i) and substantially all the use of which is in a qualified opportunity zone comprised entirely of a rural area.

For purposes of the preceding sentence, property held in the fund shall be measured under rules similar to the rules of subsection (d)(1).".

(2) LIMITED TREATMENT OF ORDINARY INCOME.—Section 1400Z–2(a) is amended by adding at the end the following new paragraph:

"(3) SPECIAL RULE FOR ORDINARY INCOME.—In the case of any ordinary income of the taxpayer for the taxable year—

"(A) the taxpayer may elect the application of paragraph (1) with respect to so much of ordinary income as does not exceed $10,000 (reduced by the amount of any income with respect to which an election pursuant to this paragraph has previously been made), and

"(B) subsection (b)(2)(B) shall not apply to the investment with respect to such election.".

(3) SPECIAL RULE FOR IMPROVEMENT OF EXISTING STRUCTURES IN RURAL AREAS, INCLUDING FOR DATA CENTERS.—Section 1400Z–2(d)(2)(D)(ii) is amended by inserting "(50 percent of such adjusted basis in the case of property in a qualified opportunity zone comprised entirely of a rural area)" after "the adjusted basis of such property".

(d) INFORMATION REPORTING ON QUALIFIED OPPORTUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY FUNDS.—

(1) FILING REQUIREMENTS FOR FUNDS AND INVESTORS.—Subpart A of part III of subchapter A of chapter 61 is amended by inserting after section 6039J the following new sections:

"SEC. 6039K. RETURNS WITH RESPECT TO QUALIFIED OPPORTUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY FUNDS.

"(a) IN GENERAL.—Every qualified opportunity fund shall file an annual return (at such time and in such manner as the Secretary may prescribe) containing the information described in subsection (b).

"(b) INFORMATION FROM QUALIFIED OPPORTUNITY FUNDS.—The information described in this subsection is—

"(1) the name, address, and taxpayer identification number of the qualified opportunity fund,

"(2) whether the qualified opportunity fund is organized as a corporation or a partnership,

"(3) the value of the total assets held by the qualified opportunity fund as of each date described in section 1400Z–2(d)(1),

"(4) the value of all qualified opportunity zone property held by the qualified opportunity fund on each such date,

"(5) with respect to each investment held by the qualified opportunity fund in qualified opportunity zone stock or a qualified opportunity zone partnership interest—

"(A) the name, address, and taxpayer identification number of the corporation in which such stock is held or the partnership in which such interest is held, as the case may be,

"(B) each North American Industry Classification System (NAICS) code that applies to the trades or businesses conducted by such corporation or partnership,

"(C) the population census tracts in which the qualified opportunity zone business property of such corporation or partnership is located,

"(D) the amount of the investment in such stock or partnership interest as of each date described in section 1400Z–2(d)(1),

"(E) the value of tangible property held by such corporation or partnership on each such date which is owned by such corporation or partnership,

"(F) the value of tangible property held by such corporation or partnership on each such date which is leased by such corporation or partnership,

"(G) the approximate number of residential units (if any) for any real property held by such corporation or partnership, and

"(H) the approximate average monthly number of full-time equivalent employees of such corporation or partnership for the year (within numerical ranges identified by the Secretary) or such other indication of the employment impact of such corporation or partnership as determined appropriate by the Secretary,

"(6) with respect to the items of qualified opportunity zone business property held by the qualified opportunity fund—

"(A) the North American Industry Classification System (NAICS) code that applies to the trades or businesses in which such property is held,

"(B) the population census tract in which the property is located,

"(C) whether the property is owned or leased,

"(D) the aggregate value of the items of qualified opportunity zone property held by the qualified opportunity fund as of each date described in section 1400Z–2(d)(1), and

"(E) in the case of real property, number of residential units (if any),

"(7) the approximate average monthly number of full-time equivalent employees for the year of the trades or businesses of the qualified opportunity fund in which qualified opportunity zone business property is held (within numerical ranges

identified by the Secretary) or such other indication of the employment impact of such trades or businesses as determined appropriate by the Secretary,

"(8) with respect to each person who disposed of an investment in the qualified opportunity fund during the year—

"(A) the name and taxpayer identification number of such person,

"(B) the date or dates on which the investment disposed was acquired, and

"(C) the date or dates on which any such investment was disposed and the amount of the investment disposed, and

"(9) such other information as the Secretary may require.

"(c) STATEMENT REQUIRED TO BE FURNISHED TO INVESTORS.—Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return by reason of subsection (b)(8) a written statement showing—

"(1) the name, address and phone number of the information contact of the person required to make such return, and

"(2) the information required to be shown on such return by reason of subsection (b)(8) with respect to the person whose name is required to be so set forth.

"(d) DEFINITIONS.—For purposes of this section—

"(1) IN GENERAL.—Any term used in this section which is also used in subchapter Z of chapter 1 shall have the meaning given such term under such subchapter.

"(2) FULL-TIME EQUIVALENT EMPLOYEES.—The term 'full-time equivalent employees' means, with respect to any month, the sum of—

"(A) the number of full-time employees (as defined in section 4980H(c)(4)) for the month, plus

"(B) the number of employees determined (under rules similar to the rules of section 4980H(c)(2)(E)) by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 120.

"(e) APPLICATION TO QUALIFIED RURAL OPPORTUNITY FUNDS.—Every qualified rural opportunity fund (as defined in section 1400Z–2(b)(2)(B)(vii)) shall file the annual return required under subsection (a), and the statements required under subsection (c), applied—

"(1) by substituting 'qualified rural opportunity' for 'qualified opportunity' each place it appears,

"(2) by substituting 'section 1400Z–2(b)(2)(B)(vii)' for 'section 1400Z–2(d)(1)' each place it appears, and

"(3) by treating any reference (after the application of paragraph (1)) to qualified rural opportunity zone stock, a qualified rural opportunity zone partnership interest, a qualified rural opportunity zone business, or qualified opportunity zone business property as stock, an interest, a business, or property, respectively, described in (I) or (II), as the case may be, of section 1400Z–2(b)(2)(B)(vii).

"SEC. 6039L. INFORMATION REQUIRED FROM QUALIFIED OPPORTUNITY ZONE BUSINESSES AND QUALIFIED RURAL OPPORTUNITY ZONE BUSINESSES.

"(a) IN GENERAL.—Every applicable qualified opportunity zone business shall furnish to the qualified opportunity fund described in subsection (b) a written statement in such manner and setting forth such information as the Secretary may by regulations prescribe for purposes of enabling such qualified opportunity fund to meet the requirements of section 6039K(b)(5).

"(b) APPLICABLE QUALIFIED OPPORTUNITY ZONE BUSINESS.—For purposes of subsection (a), the term 'applicable qualified opportunity zone business' means any qualified opportunity zone business—

"(1) which is a trade or business of a qualified opportunity fund,

"(2) in which a qualified opportunity fund holds qualified opportunity zone stock, or

"(3) in which a qualified opportunity fund holds a qualified opportunity zone partnership interest.

"(c) OTHER TERMS.—Any term used in this section which is also used in subchapter Z of chapter 1 shall have the meaning given such term under such subchapter.

"(d) APPLICATION TO QUALIFIED RURAL OPPORTUNITY BUSINESSES.—Every applicable qualified rural opportunity zone business (as defined in subsection (b) determined after application of the substitutions described in this sentence) shall furnish the written statement required under subsection (a), applied—

"(1) by substituting 'qualified rural opportunity' for 'qualified opportunity' each place it appears, and

"(2) by treating any reference (after the application of paragraph (1)) to qualified rural opportunity zone stock, a qualified rural opportunity zone partnership interest, or a qualified rural opportunity zone business as stock, an interest, or a business, respectively, described in (I) or (II), as the case may be, of section 1400Z–2(b)(2)(B)(vii).".

(2) PENALTIES.—

(A) IN GENERAL.—Part II of subchapter B of chapter 68 is amended by inserting after section 6725 the following new section:

"SEC. 6726. FAILURE TO COMPLY WITH INFORMATION REPORTING REQUIREMENTS RELATING TO QUALIFIED OPPORTUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY FUNDS.

"(a) IN GENERAL.—In the case of any person required to file a return under section 6039K fails to file a complete and correct return under such section in the time and in the manner prescribed therefor, such person shall pay a penalty of $500 for each day during which such failure continues.

"(b) LIMITATION.—

"(1) IN GENERAL.—The maximum penalty under this section on failures with respect to any 1 return shall not exceed $10,000.

"(2) LARGE QUALIFIED OPPORTUNITY FUNDS.—In the case of any failure described in subsection (a) with respect to a fund the gross assets of which (determined on the last day of the

taxable year) are in excess of $10,000,000, paragraph (1) shall be applied by substituting '$50,000' for '$10,000'.

"(c) PENALTY IN CASES OF INTENTIONAL DISREGARD.—If a failure described in subsection (a) is due to intentional disregard, then—

"(1) subsection (a) shall be applied by substituting '$2,500' for '$500',

"(2) subsection (b)(1) shall be applied by substituting '$50,000' for '$10,000', and

"(3) subsection (b)(2) shall be applied by substituting '$250,000' for '$50,000'.

"(d) INFLATION ADJUSTMENT.—

"(1) IN GENERAL.—In the case of any failure relating to a return required to be filed in a calendar year beginning after 2025, each of the dollar amounts in subsections (a), (b), and (c) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year determined by substituting 'calendar year 2024' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) ROUNDING.—

"(A) IN GENERAL.—If the $500 dollar amount in subsection (a) and (c)(1) or the $2,500 amount in subsection (c)(1), after being increased under paragraph (1), is not a multiple of $10, such dollar amount shall be rounded to the next lowest multiple of $10.

"(B) ASSET THRESHOLD.—If the $10,000,000 dollar amount in subsection (b)(2), after being increased under paragraph (1), is not a multiple of $10,000, such dollar amount shall be rounded to the next lowest multiple of $10,000.

"(C) OTHER DOLLAR AMOUNTS.—If any dollar amount in subsection (b) or (c) (other than any amount to which subparagraph (A) or (B) applies), after being increased under paragraph (1), is not a multiple of $1,000, such dollar amount shall be rounded to the next lowest multiple of $1,000.".

(B) INFORMATION REQUIRED TO BE SENT TO OTHER TAXPAYERS.—Section 6724(d)(2) is amended—

(i) by striking "or" at the end of subparagraph (KK),

(ii) by striking the period at the end of the subparagraph (LL) and inserting a comma, and

(iii) by inserting after subparagraph (LL) the following new subparagraphs:

"(MM) section 6039K(c) (relating to disposition of qualified opportunity fund investments), or

"(NN) section 6039L (relating to information required from certain qualified opportunity zone businesses and qualified rural opportunity zone businesses).".

(3) ELECTRONIC FILING.—Section 6011(e) is amended by adding at the end the following new paragraph:

"(8) QUALIFIED OPPORTUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY FUNDS.—Notwithstanding paragraphs (1) and (2), any return filed by a qualified opportunity fund or qualified

rural opportunity fund shall be filed on magnetic media or other machine-readable form.".

(4) CLERICAL AMENDMENTS.—

(A) The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6039J the following new items:

"Sec. 6039K. Returns with respect to qualified opportunity funds and qualified rural opportunity funds.

"Sec. 6039L. Information required from qualified opportunity zone businesses and qualified rural opportunity zone businesses.".".

(B) The table of sections for part II of subchapter B of chapter 68 is amended by inserting after the item relating to section 6725 the following new item:

"Sec. 6726. Failure to comply with information reporting requirements relating to qualified opportunity funds and qualified rural opportunity funds.".

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after the date of the enactment of this Act.

(e) SECRETARY REPORTING OF DATA ON OPPORTUNITY ZONE AND RURAL OPPORTUNITY ZONE TAX INCENTIVES.—

(1) IN GENERAL.—As soon as practical after the date of the enactment of this Act, and annually thereafter, the Secretary of the Treasury, or the Secretary's delegate (referred to in this section as the "Secretary"), in consultation with the Director of the Bureau of the Census and such other agencies as the Secretary determines appropriate, shall make publicly available a report on qualified opportunity funds.

(2) INFORMATION INCLUDED.—The report required under paragraph (1) shall include, to the extent available, the following information:

(A) The number of qualified opportunity funds.

(B) The aggregate dollar amount of assets held in qualified opportunity funds.

(C) The aggregate dollar amount of investments made by qualified opportunity funds in qualified opportunity fund property, stated separately for each North American Industry Classification System (NAICS) code.

(D) The percentage of population census tracts designated as qualified opportunity zones that have received qualified opportunity fund investments.

(E) For each population census tract designated as a qualified opportunity zone, the approximate average monthly number of full-time equivalent employees of the qualified opportunity zone businesses in such qualified opportunity zone for the preceding 12-month period (within numerical ranges identified by the Secretary) or such other indication of the employment impact of such qualified opportunity fund businesses as determined appropriate by the Secretary.

(F) The percentage of the total amount of investments made by qualified opportunity funds in—

(i) qualified opportunity zone property which is real property; and

(ii) other qualified opportunity zone property.

(G) For each population census tract, the aggregate approximate number of residential units resulting from investments made by qualified opportunity funds in real property.

(H) The aggregate dollar amount of investments made by qualified opportunity funds in each population census tract.

(3) ADDITIONAL INFORMATION.—

(A) IN GENERAL.—Beginning with the report submitted under paragraph (1) for the 6th year after the date of the enactment of this Act, the Secretary shall include in such report the impacts and outcomes of a designation of a population census tract as a qualified opportunity zone as measured by economic indicators, such as job creation, poverty reduction, new business starts, and other metrics as determined by the Secretary.

(B) SEMI-DECENNIAL INFORMATION.—

(i) IN GENERAL.—In the case of any report submitted under paragraph (1) in the 6th year or the 11th year after the date of the enactment of this Act, the Secretary shall include the following information:

(I) For population census tracts designated as a qualified opportunity zone, a comparison (based on aggregate information) of the factors listed in clause (iii) between the 5-year period ending on the date of the enactment of Public Law 115–97 and the most recent 5-year period for which data is available.

(II) For population census tracts designated as a qualified opportunity zone, a comparison (based on aggregate information) of the factors listed in clause (iii) for the most recent 5-year period for which data is available between such population census tracts and a similar population census tracts that were not designated as a qualified opportunity zone.

(ii) CONTROL GROUPS.—For purposes of clause (i), the Secretary may combine population census tracts into such groups as the Secretary determines appropriate for purposes of making comparisons.

(iii) FACTORS LISTED.—The factors listed in this clause are the following:

(I) The unemployment rate.

(II) The number of persons working in the population census tract, including the percentage of such persons who were not residents in the population census tract in the preceding year.

(III) Individual, family, and household poverty rates.

(IV) Median family income of residents of the population census tract.

(V) Demographic information on residents of the population census tract, including age, income, education, race, and employment.

(VI) The average percentage of income of residents of the population census tract spent on rent annually.

(VII) The number of residences in the population census tract.

(VIII) The rate of home ownership in the population census tract.

(IX) The average value of residential property in the population census tract.

(X) The number of affordable housing units in the population census tract.

(XI) The number and percentage of residents in the population census tract that were not employed for the preceding year.

(XII) The number of new business starts in the population census tract.

(XIII) The distribution of employees in the population census tract by North American Industry Classification System (NAICS) code.

(4) PROTECTION OF IDENTIFIABLE RETURN INFORMATION.—In making reports required under this subsection, the Secretary—

(A) shall establish appropriate procedures to ensure that any amounts reported do not disclose taxpayer return information that can be associated with any particular taxpayer or competitive or proprietary information, and

(B) if necessary to protect taxpayer return information, may combine information required with respect to individual population census tracts into larger geographic areas.

(5) DEFINITIONS.—Any term used in this subsection which is also used in subchapter Z of chapter 1 of the Internal Revenue Code of 1986 shall have the meaning given such term under such subchapter.

(6) REPORTS ON QUALIFIED RURAL OPPORTUNITY FUNDS.—The Secretary shall make publicly available, with respect to qualified rural opportunity funds, separate reports as required under this subsection, applied—

(A) by substituting "qualified rural opportunity" for "qualified opportunity" each place it appears,

(B) by substituting a reference to this Act for "Public Law 115–97", and

(C) by treating any reference (after the application of subparagraph (A)) to qualified rural opportunity zone stock, qualified rural opportunity zone partnership interest, qualified rural opportunity zone business, or qualified opportunity zone business property as stock, interest, business, or property, respectively, described in (I) or (II), as the case may be, of section 1400Z–2(b)(2)(B)(vii) of the Internal Revenue Code of 1986.

SEC. 111103. INCREASED DOLLAR LIMITATIONS FOR EXPENSING OF CERTAIN DEPRECIABLE BUSINESS ASSETS.

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

(1) in paragraph (1), by striking "$1,000,000" and inserting "$2,500,000" , and

(2) in paragraph (2), by striking "$2,500,000" and inserting "$4,000,000".

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

(1) by inserting "(2025 in the case of the dollar amounts in paragraphs (1) and (2))" after "In the case of any taxable year beginning after 2018", and

(2) in clause (ii), by striking "determined by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof." and inserting "determined by substituting in subparagraph (A)(ii) thereof—

"(I) in the case of amounts in paragraphs (1) and (2), 'calendar year 2024' for 'calendar year 2016', and

"(II) in the case of the amount in paragraph (5)(A), 'calendar year 2017' for 'calendar year 2016'.".

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

SEC. 111104. REPEAL OF REVISION TO DE MINIMIS RULES FOR THIRD PARTY NETWORK TRANSACTIONS.

(a) REINSTATEMENT OF EXCEPTION FOR DE MINIMIS PAYMENTS AS IN EFFECT PRIOR TO ENACTMENT OF AMERICAN RESCUE PLAN ACT OF 2021.—

(1) IN GENERAL.—Section 6050W(e) is amended to read as follows:

"(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third party settlement organization shall be required to report any information under subsection (a) with respect to third party network transactions of any participating payee only if—

"(1) the amount which would otherwise be reported under subsection (a)(2) with respect to such transactions exceeds $20,000, and

"(2) the aggregate number of such transactions exceeds 200.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect as if included in section 9674 of the American Rescue Plan Act.

(b) APPLICATION OF DE MINIMIS RULE FOR THIRD PARTY NETWORK TRANSACTIONS TO BACKUP WITHHOLDING.—

(1) IN GENERAL.—Section 3406(b) is amended by adding at the end the following new paragraph:

"(8) OTHER REPORTABLE PAYMENTS INCLUDE PAYMENTS IN SETTLEMENT OF THIRD PARTY NETWORK TRANSACTIONS ONLY WHERE AGGREGATE TRANSACTIONS EXCEED REPORTING THRESHOLD FOR THE CALENDAR YEAR.—

"(A) IN GENERAL.—Any payment in settlement of a third party network transaction required to be shown on a return required under section 6050W which is made during any calendar year shall be treated as a reportable payment only if—

"(i) the aggregate number of transactions with respect to the participating payee during such calendar

year exceeds the number of transactions specified in section 6050W(e)(2), and

"(ii) the aggregate amount of transactions with respect to the participating payee during such calendar year exceeds the dollar amount specified in section 6050W(e)(1) at the time of such payment.

"(B) EXCEPTION IF THIRD PARTY NETWORK TRANSACTIONS MADE IN PRIOR YEAR WERE REPORTABLE.—Subparagraph (A) shall not apply with respect to payments to any participating payee during any calendar year if one or more payments in settlement of third party network transactions made by the payor to the participating payee during the preceding calendar year were reportable payments.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to calendar years beginning after December 31, 2024.

SEC. 111105. INCREASE IN THRESHOLD FOR REQUIRING INFORMATION REPORTING WITH RESPECT TO CERTAIN PAYEES.

(a) IN GENERAL.—Section 6041(a) is amended by striking "$600" and inserting "$2,000".

(b) INFLATION ADJUSTMENT.—Section 6041 is amended by adding at the end the following new subsection:

"(h) INFLATION ADJUSTMENT.—In the case of any calendar year after 2026, the dollar amount in subsection (a) shall be increased by an amount equal to—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If any increase under the preceding sentence is not a multiple of $100, such increase shall be rounded to the nearest multiple of $100.".

(c) APPLICATION TO REPORTING ON REMUNERATION FOR SERVICES.—Section 6041A(a)(2) is amended by striking "is $600 or more" and inserting "equals or exceeds the dollar amount in effect for such calendar year under section 6041(a)".

(d) APPLICATION TO BACKUP WITHHOLDING.—Section 3406(b)(6) is amended—

(1) by striking "$600" in subparagraph (A) and inserting "the dollar amount in effect for such calendar year under section 6041(a)", and

(2) by striking "ONLY WHERE AGGREGATE FOR CALENDAR YEAR IS $600 OR MORE" in the heading and inserting "ONLY IF IN EXCESS OF THRESHOLD".

(e) CONFORMING AMENDMENTS.—

(1) The heading of section 6041(a) is amended by striking "OF $600 OR MORE" and inserting "EXCEEDING THRESHOLD".

(2) Section 6041(a) is amended by striking "taxable year" and inserting "calendar year".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to payments made after December 31, 2025.

SEC. 111106. REPEAL OF EXCISE TAX ON INDOOR TANNING SERVICES.

(a) IN GENERAL.—Subtitle D is amended by striking chapter 49 and by striking the item relating to such chapter in the table of chapters of such subtitle.

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

SEC. 111107. EXCLUSION OF INTEREST ON LOANS SECURED BY RURAL OR AGRICULTURAL REAL PROPERTY.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting after section 139I the following new section:

"SEC. 139J. INTEREST ON LOANS SECURED BY RURAL OR AGRICULTURAL REAL PROPERTY.

"(a) IN GENERAL.—Gross income shall not include 25 percent of the interest received by a qualified lender on any qualified real estate loan.

"(b) QUALIFIED LENDER.—For purposes of this section, the term 'qualified lender' means—

"(1) any bank or savings association the deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.),

"(2) any State- or federally-regulated insurance company,

"(3) any entity wholly owned, directly or indirectly, by a company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (12 U.S.C. 3106) if—

"(A) such entity is organized, incorporated, or established under the laws of the United States or any State of the United States, and

"(B) the principal place of business of such entity is in the United States (including any territory of the United States),

"(4) any entity wholly owned, directly or indirectly, by a company that is considered an insurance holding company under the laws of any State if such entity satisfies the requirements described in subparagraphs (A) and (B) of paragraph (3), and

"(5) with respect to interest received on a qualified real estate loan secured by real estate described in subsection (c)(3)(A), any federally chartered instrumentality of the United States established under section 8.1(a) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-1(a)).

"(c) QUALIFIED REAL ESTATE LOAN.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified real estate loan' means any loan—

"(A) secured by—

"(i) rural or agricultural real estate, or

"(ii) a leasehold mortgage (with a status as a lien) on rural or agricultural real estate,

"(B) made to a person other than a specified foreign entity (as defined in section 7701(a)(51)), and

"(C) made after the date of the enactment of this section and before January 1, 2029.

For purposes of the preceding sentence, the determination of whether property securing such loan is rural or agricultural real estate shall be made as of the time the interest income on such loan is accrued.

"(2) REFINANCINGS.—For purposes of subparagraphs (A) and (C) of paragraph (1), a loan shall not be treated as made after the date of the enactment of this section to the extent that the proceeds of such loan are used to refinance a loan which was made on or before the date of the enactment of this section (or, in the case of any series of refinancings, the original loan was made on or before such date).

"(3) RURAL OR AGRICULTURAL REAL ESTATE.—The term 'rural or agricultural real estate' means—

"(A) any real property which is substantially used for the production of one or more agricultural products,

"(B) any real property which is substantially used in the trade or business of fishing or seafood processing, and

"(C) any aquaculture facility.

Such term shall not include any property which is not located in a State or a possession of the United States.

"(4) AQUACULTURE FACILITY.—The term 'aquaculture facility' means any land, structure, or other appurtenance that is used for aquaculture (including any hatchery, rearing pond, raceway, pen, or incubator).

"(d) COORDINATION WITH SECTION 265.—Qualified real estate loans shall be treated as obligations described in section 265(a)(2) the interest on which is wholly exempt from the taxes imposed by this subtitle.".

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 139I the following new item:

"Sec. 139J. Interest on loans secured by rural or agricultural real property.".

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

SEC. 111108. TREATMENT OF CERTAIN QUALIFIED SOUND RECORDING PRODUCTIONS.

(a) ELECTION TO TREAT COSTS AS EXPENSES.—Section 181(a)(1) is amended by striking "qualified film or television production, and any qualified live theatrical production," and inserting "qualified film or television production, any qualified live theatrical production, and any qualified sound recording production".

(b) DOLLAR LIMITATION.—Section 181(a)(2) is amended by adding at the end the following new subparagraph:

"(C) QUALIFIED SOUND RECORDING PRODUCTION.—Paragraph (1) shall not apply to so much of the aggregate cost of any qualified sound recording production, or to so much of the aggregate, cumulative cost of all such qualified sound recording productions in the taxable year, as exceeds $150,000.".

(c) NO OTHER DEDUCTION OR AMORTIZATION DEDUCTION ALLOWABLE.—Section 181(b) is amended by striking "qualified film or television production or any qualified live theatrical production" and

inserting "qualified film or television production, any qualified live theatrical production, or any qualified sound recording production".

(d) ELECTION.—Section 181(c)(1) is amended by striking "qualified film or television production or any qualified live theatrical production" and inserting "qualified film or television production, any qualified live theatrical production, or any qualified sound recording production".

(e) QUALIFIED SOUND RECORDING PRODUCTION DEFINED.—Section 181 is amended by redesignating subsections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:

"(f) QUALIFIED SOUND RECORDING PRODUCTION.—For purposes of this section, the term 'qualified sound recording production' means a sound recording (as defined in section 101 of title 17, United States Code) produced and recorded in the United States.".

(f) APPLICATION OF TERMINATION.—Section 181(g) is amended by striking "qualified film and television productions or qualified live theatrical productions" and inserting "qualified film and television productions, qualified live theatrical productions, and qualified sound recording productions".

(g) BONUS DEPRECIATION.—

(1) QUALIFIED SOUND RECORDING PRODUCTION AS QUALIFIED PROPERTY.—Section 168(k)(2)(A)(i), as amended by the preceding provisions of this Act, is amended—

(A) by striking "or" at the end of subclause (IV), by striking "and" and inserting "or" at the end of subclause (V), and by inserting after subclause (V) the following:

"(VI) which is a qualified sound recording production (as defined in subsection (f) of section 181) which is placed in service before January 1, 2029, for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (h) of such section or this subsection, and", and

(B) in subclauses (IV) and (V) (as so amended) by striking "without regard to subsections (a)(2) and (g)" both places it appears and inserting "without regard to subsections (a)(2) and (h)".

(2) PRODUCTION PLACED IN SERVICE.—Section 168(k)(2)(H) is amended by striking "and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", and", and by adding after clause (ii) the following:

"(iii) a qualified sound recording production shall be considered to be placed in service at the time of initial release or broadcast.".

(h) CONFORMING AMENDMENTS.—

(1) The heading for section 181 is amended to read as follows: "TREATMENT OF CERTAIN QUALIFIED PRODUCTIONS.".

(2) The table of sections for part VI of subchapter B of chapter 1 is amended by striking the item relating to section 181 and inserting the following new item:

"Sec. 181. Treatment of certain qualified productions.".

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

SEC. 111109. MODIFICATIONS TO LOW-INCOME HOUSING CREDIT.

(a) STATE HOUSING CREDIT CEILING INCREASE FOR LOW-INCOME HOUSING CREDIT.—

(1) IN GENERAL.—Section 42(h)(3)(I) is amended—

(A) by striking "and 2021," and inserting "2021, 2026, 2027, 2028, and 2029,", and

(B) by striking "2018, 2019, 2020, AND 2021" in the heading and inserting "CERTAIN CALENDAR YEARS".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to calendar years after 2025.

(b) TAX-EXEMPT BOND FINANCING REQUIREMENT.—

(1) IN GENERAL.—Section 42(h)(4) is amended by striking subparagraph (B) and inserting the following:

"(B) SPECIAL RULE WHERE MINIMUM PERCENT OF BUILDINGS IS FINANCED WITH TAX-EXEMPT BONDS SUBJECT TO VOLUME CAP.—For purposes of subparagraph (A), paragraph (1) shall not apply to any portion of the credit allowable under subsection (a) with respect to a building if—

"(i) 50 percent or more of the aggregate basis of such building and the land on which the building is located is financed by 1 or more obligations described in subparagraph (A), or

"(ii)(I) 25 percent or more of the aggregate basis of such building and the land on which the building is located is financed by 1 or more qualified obligations, and

"(II) 1 or more of such qualified obligations—

"(aa) are part of an issue the issue date of which is after December 31, 2025, and

"(bb) provide the financing for not less than 5 percent of the aggregate basis of such building and the land on which the building is located.

"(C) QUALIFIED OBLIGATION.—For purposes of subparagraph (B)(ii), the term 'qualified obligation' means an obligation which is described in subparagraph (A) and which is part of an issue the issue date of which is before January 1, 2030.".

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by this subsection shall apply to buildings placed in service in taxable years beginning after December 31, 2025.

(B) REHABILITATION EXPENDITURES TREATED AS SEPARATE NEW BUILDING.—In the case of any building with respect to which any expenditures are treated as a separate new building under section 42(e) of the Internal Revenue Code of 1986, for purposes of subparagraph (A), both the existing building and the separate new building shall be treated as having been placed in service on the date such expenditures are treated as placed in service under section 42(e)(4) of such Code.

(c) TEMPORARY INCLUSION OF INDIAN AREAS AND RURAL AREAS AS DIFFICULT DEVELOPMENT AREAS FOR PURPOSES OF CERTAIN BUILDINGS.—

(1) IN GENERAL.—Section 42(d)(5)(B)(iii)(I) is amended by inserting before the period the following: ", and, in the case of buildings placed in service after December 31, 2025 and before January 1, 2030, any Indian area or rural area".

(2) INDIAN AREA; RURAL AREA.—Section 42(d)(5)(B)(iii) is amended by redesignating subclause (II) as subclause (IV) and by inserting after subclause (I) the following new subclauses:

"(II) INDIAN AREA.—For purposes of subclause (I), the term 'Indian 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))).

"(III) RURAL AREA.—For purposes of subclause (I), the term 'rural area' means any non-metropolitan area, or any rural area as defined by section 520 of the Housing Act of 1949, which is identified by the qualified allocation plan under subsection (m)(1)(B).".

(3) ELIGIBLE BUILDINGS.—Section 42(d)(5)(B)(iii), as amended by paragraph (2), is further amended by adding at the end the following new subclause:

"(V) SPECIAL RULE FOR BUILDINGS IN INDIAN AREAS.—In the case of an area which is a difficult development area solely because it is an Indian area, a building shall not be treated as located in such area unless such building is assisted or financed under the Native American Housing Assistance and Self Determination Act of 1996 (25 U.S.C. 4101 et seq.) or the project sponsor is an Indian tribe (as defined in section 45A(c)(6)), a tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), or wholly owned or controlled by such an Indian tribe or tribally designated housing entity.".

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to buildings placed in service after December 31, 2025.

SEC. 111110. INCREASED GROSS RECEIPTS THRESHOLD FOR SMALL MANUFACTURING BUSINESSES.

(a) IN GENERAL.—Section 448(c) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

"(4) GROSS RECEIPTS TEST FOR MANUFACTURING TAXPAYERS.—In the case of a manufacturing taxpayer, paragraph (1) shall be applied by substituting '$80,000,000' for '$25,000,000'.".

(b) INFLATION ADJUSTMENT.—Section 448(c)(5) (as so redesignated) is amended by striking "the dollar amount in paragraph (1) shall be increased" and inserting "the dollar amounts in paragraphs (1) and (4) shall each be increased".

(c) MANUFACTURING TAXPAYER DEFINED.—Section 448(d) is amended by redesignating paragraph (8) as paragraph (9) and by inserting after paragraph (7) the following new paragraph:

"(8) MANUFACTURING TAXPAYER.—

"(A) IN GENERAL.—The term 'manufacturing taxpayer' means a corporation or partnership substantially all the gross receipts of which during the 3-taxable-year period described in subsection (c)(1) are derived from the lease, rental, license, sale, exchange, or other disposition of qualified products.

"(B) QUALIFIED PRODUCT.—For purposes of subparagraph (A), the term 'qualified product' means a product that is both—

"(i) tangible personal property which is not a food or beverage prepared in the same building as a retail establishment in which substantially similar property is sold to the public, and

"(ii) produced or manufactured by the taxpayer in a manner which results in a substantial transformation (within the meaning of section 168(n)(2)(D)) of the property comprising the product.

"(C) AGGREGATION RULE.—Solely for purposes of determining whether a taxpayer is a manufacturing taxpayer under subparagraph (A)—

"(i) gross receipts shall be determined under the rules of paragraphs (2) and (3) of subsection (c), and

"(ii) for purposes of subsection (c)(2), in applying section 52(b), the term 'trade or business' shall include any activity treated as a trade or business under paragraph (5) or (6) of section 469(c) (determined without regard to the phrase 'To the extent provided in regulations' in such paragraph (6)).".

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

SEC. 111111. GLOBAL INTANGIBLE LOW-TAXED INCOME DETERMINED WITHOUT REGARD TO CERTAIN INCOME DERIVED FROM SERVICES PERFORMED IN THE VIRGIN ISLANDS.

(a) IN GENERAL.—Section 951A(c)(2)(A)(i) is amended by striking "and" at the end of subclause (IV), by striking the period at the end of subclause (V) and inserting ", and", and by adding at the end the following new subclause:

"(VI) in the case of any specified United States shareholder, any qualified Virgin Islands services income.".

(b) DEFINITIONS AND SPECIAL RULES.—Section 951A(c)(2) is amended by adding at the end the following new subparagraph:

"(C) PROVISIONS RELATED TO QUALIFIED VIRGIN ISLANDS SERVICES INCOME.—For purposes of subparagraph (A)(i)(VI)—

"(i) QUALIFIED VIRGIN ISLANDS SERVICES INCOME.—The term 'qualified Virgin Islands services income' means any gross income which satisfies all of the following requirements:

"(I) Such gross income is compensation for labor or personal services performed in the Virgin Islands by a corporation formed under the laws of the Virgin Islands.

"(II) Such gross income is attributable to services performed from within the Virgin Islands by individuals for the benefit of such corporation.

"(III) Such gross income is effectively connected with the conduct of a trade or business within the Virgin Islands.

"(ii) SPECIFIED UNITED STATES SHAREHOLDER.—The term 'specified United States shareholder' means any United States shareholder which is—

"(I) an individual, trust, or estate, or

"(II) a closely held C corporation (as defined in section 469(j)(1)) if such corporation acquired its direct or indirect equity interest in the foreign corporation which derived the qualified Virgin Islands services income before December 31, 2023.

"(iii) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out this subparagraph and subparagraph (A)(i)(VI), including regulations or other guidance to prevent the abuse of such subparagraphs.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after the date of the enactment of this Act, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 111112. EXTENSION AND MODIFICATION OF CLEAN FUEL PRODUCTION CREDIT.

(a) PROHIBITION ON FOREIGN FEEDSTOCKS.—

(1) IN GENERAL.—Section 45Z(f)(1)(A) is amended—

(A) in clause (i)(II)(bb), by striking "and" at the end,

(B) in clause (ii), by striking the period at the end and inserting ", and", and

(C) by adding at the end the following new clause:

"(iii) such fuel is exclusively derived from a feedstock which was produced or grown in the United States, Mexico, or Canada.".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to transportation fuel sold after December 31, 2025.

(b) DETERMINATION OF EMISSIONS RATE.—

(1) IN GENERAL.—Section 45Z(b)(1)(B) is amended by adding at the end the following new clauses:

"(iv) EXCLUSION OF INDIRECT LAND USE CHANGES.—Notwithstanding clauses (ii) and (iii), the lifecycle greenhouse gas emissions shall be adjusted as necessary to exclude any emissions attributed to indirect land use change. Any such adjustment shall be based on regulations or methodologies determined by the Secretary in consultation with the Administrator of

the Environmental Protection Agency and the Secretary of Agriculture.

"(v) ANIMAL MANURES.—For purposes of the table described in clause (i), with respect to any transportation fuels which are derived from animal manure, a distinct emissions rate shall be provided with respect to each of the specific feedstocks used to such produce such fuel, which shall include dairy manure, swine manure, poultry manure, and such other sources as are determined appropriate by the Secretary.".

(2) CONFORMING AMENDMENT.—Section 45Z(b)(1)(B)(i) is amended by striking "clauses (ii) and (iii)" and inserting "clauses (ii), (iii), (iv), and (v)".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to emissions rates published for taxable years beginning after December 31, 2025.

(c) EXTENSION OF CLEAN FUEL PRODUCTION CREDIT.—Section 45Z(g) is amended by striking "December 31, 2027" and inserting "December 31, 2031".

(d) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

(1) IN GENERAL.—Section 45Z(f) is amended by adding at the end the following new paragraph:

"(8) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after the date of enactment of this Act.

PART 3—INVESTING IN THE HEALTH OF RURAL AMERICA AND MAIN STREET

SEC. 111201. EXPANDING THE DEFINITION OF RURAL EMERGENCY HOSPITAL UNDER THE MEDICARE PROGRAM.

(a) IN GENERAL.—Section 1861(kkk) of the Social Security Act (42 U.S.C. 1395x(kkk)) is amended—

(1) in paragraph (2)—

(A) in subparagraph (A), by striking "the detailed transition plan" and all that follows through "such paragraph" and inserting "the detailed transition plan described in clause (i)(I) of such paragraph or the assessment of health care needs described in clause (i)(II) of such paragraph, as applicable,";

(B) in subparagraph (D)(vi), by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following new subparagraph:

"(E) in the case of a facility described in paragraph (3)(B)—

"(i) submits an application under section 1866(j) to enroll under this title as a rural emergency hospital—

"(I) in the case that such facility is located in a State that, as of January 1, 2027, provides for the licensing of rural emergency hospitals under State or applicable local law (as described in paragraph (5)(A)), not later than December 31, 2027; and

"(II) in the case that such facility is located in a State that, as of January 1, 2027, does not provide for the licensing of such rural emergency hospitals under State or applicable local law (as so described), not later than the date that is 1 year after the date on which such State begins to provide for such licensing; and

"(ii) in the case that such facility is located less than 35 miles away from the nearest hospital, critical access hospital, or rural emergency hospital as of the date on which such facility submits an application under section 1866(j) to enroll under this title as a rural emergency hospital, beginning not later than 1 year after the end of the first full cost reporting period for which the facility is so enrolled, demonstrates annually, in a form and manner determined appropriate by the Secretary, that more than 50 percent of the services furnished for the most recent cost reporting period (as determined by the Secretary) were services described in paragraph (1)(A)(i), as determined based on discharges of individuals entitled to benefits under part A or enrolled under part B during such cost reporting period.";

(2) in paragraph (3)—

(A) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively, and adjusting the margins accordingly;

(B) by striking "A facility" and inserting:

"(A) IN GENERAL.—A facility"; and

(C) by adding at the end the following new subparagraph:

"(B) ADDITIONAL FACILITIES.—Beginning January 1, 2027, a facility described in this paragraph shall also include a facility that—

"(i) at any time during the period beginning January 1, 2014, and ending December 26, 2020—

"(I) was a critical access hospital; or

"(II) was a subsection (d) hospital (as defined in section 1886(d)(1)(B)) with not more than 50 beds located in a county (or equivalent unit of local government) in a rural area (as defined in section 1886(d)(2)(D)); and

"(ii) as of December 27, 2020, was not enrolled in the program under this title under section 1866(j).";

(3) in paragraph (4)—

(A) in subparagraph (A)(i)—

(i) in subclause (IV), by striking the period at the end and inserting "; and";

(ii) by redesignating subclauses (I) through (IV) as items (aa) through (dd), respectively, and adjusting the margins accordingly;

(iii) by striking "including a detailed" and inserting "including—

"(I) except in the case of a facility described in paragraph (3)(B), a detailed"; and

(iv) by adding at the end the following new subclause:

"(II) in the case of a facility described in paragraph (3)(B), an assessment of the health care needs of the county (or equivalent unit of local government) in which such facility is located, which shall include—

"(aa) a description of the services furnished by the facility during the period that such facility was enrolled in the program under this title under section 1866(j);

"(bb) a description of the reasons that the facility, as of December 27, 2020, was no longer so enrolled;

"(cc) the population of such county (or equivalent unit);

"(dd) the percentage of such population who are individuals entitled to benefits under part A or enrolled under part B; and

"(ee) a description of any lack of access to health care services experienced by such individuals, and an explanation of how reopening the facility as a rural emergency hospital would mitigate such lack of access.".

(b) AMENDMENTS TO PAYMENT RULES.—Section 1834(x) of the Social Security Act (42 U.S.C. 1395m(x)) is amended—

(1) in paragraph (1), by inserting ", except that, in the case of a facility described in section 1861(kkk)(3)(B) that, as of the date on which such facility submits an application under section 1866(j) to enroll under this title as a rural emergency hospital, is located less than 35 miles away from the nearest hospital, critical access hospital, or rural emergency hospital, such increase shall not apply" before the period at the end; and

(2) in paragraph (2)(A), by inserting "(other than a facility described in section 1861(kkk)(3)(B) that, as of the date on which such facility submits an application under section 1866(j) to enroll under this title as a rural emergency hospital, is located less than 10 miles away from the nearest hospital, critical access hospital, or rural emergency hospital)" after "rural emergency hospital".

Subtitle C—Make America Win Again

PART 1—WORKING FAMILIES OVER ELITES

SEC. 112001. TERMINATION OF PREVIOUSLY-OWNED CLEAN VEHICLE CREDIT.

(a) IN GENERAL.—Section 25E(g) is amended by striking "December 31, 2032" and inserting "December 31, 2025".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to vehicles acquired after December 31, 2025.

SEC. 112002. TERMINATION OF CLEAN VEHICLE CREDIT.

(a) IN GENERAL.—Section 30D is amended—

(1) by redesignating subsection (h) as subsection (i), and

(2) in subsection (i), as so redesignated, by striking "December 31, 2032" and inserting "December 31, 2026".

(b) SPECIAL RULE FOR TAXABLE YEAR 2026.—Section 30D is amended by inserting after subsection (g) the following new subsection:

"(h) SPECIAL RULE FOR TAXABLE YEAR 2026.—

"(1) IN GENERAL.—With respect to any vehicle placed in service after December 31, 2025, such vehicle shall not be treated as a new clean vehicle for purposes of this section if, during the period beginning on December 31, 2009, and ending on December 31, 2025, the number of covered vehicles manufactured by the manufacturer of such vehicle which are sold for use in the United States is greater than 200,000.

"(2) COVERED VEHICLES.—For purposes of this subsection, the term 'covered vehicles' means—

"(A) with respect to vehicles placed in service before January 1, 2023, new qualified plug-in electric drive motor vehicles (as defined in subsection (d)(1), as in effect on December 31, 2022), and

"(B) new clean vehicles.

"(3) CONTROLLED GROUPS.—Rules similar to the rules of section 30B(f)(4) shall apply for purposes of this subsection.".

(c) CONFORMING AMENDMENTS.—Section 30D(e) is amended—

(1) in paragraph (1)(B)—

(A) in clause (iii), by inserting "and" after the comma at the end,

(B) in clause (iv), by striking ", and" and inserting a period, and

(C) by striking clause (v), and

(2) in paragraph (2)(B)—

(A) in clause (ii), by inserting "and" after the comma at the end,

(B) in clause (iii), by striking the comma at the end and inserting a period, and

(C) by striking clauses (iv) through (vi).

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

SEC. 112003. TERMINATION OF QUALIFIED COMMERCIAL CLEAN VEHICLES CREDIT.

(a) IN GENERAL.—Section 45W(g) is amended to read as follows:

"(g) TERMINATION.—

"(1) IN GENERAL.—No credit shall be determined under this section with respect to any vehicle acquired after December 31, 2025.

"(2) EXCEPTION FOR BINDING CONTRACTS.—Paragraph (1) shall not apply with respect to vehicles placed in service before January 1, 2033, and acquired pursuant to a written binding contract entered into before May 12, 2025.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to vehicles acquired after December 31, 2025.

SEC. 112004. TERMINATION OF ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT.

(a) IN GENERAL.—Section 30C(i) is amended by striking "December 31, 2032" and inserting "December 31, 2025".

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

SEC. 112005. TERMINATION OF ENERGY EFFICIENT HOME IMPROVEMENT CREDIT.

(a) IN GENERAL.—Section 25C(i) is amended to read as follows:

"(i) TERMINATION.—This section shall not apply with respect to any property placed in service after December 31, 2025.".

(b) CONFORMING AMENDMENTS.—

(1) Section 25C(d)(2)(C) is amended to read as follows:

"(C) Any oil furnace or hot water boiler which is placed in service before January 1, 2026, and—

"(i) meets or exceeds 2021 Energy Star efficiency criteria, and

"(ii) is rated by the manufacturer for use with fuel blends at least 20 percent of the volume of which consists of an eligible fuel.".

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

SEC. 112006. TERMINATION OF RESIDENTIAL CLEAN ENERGY CREDIT.

(a) IN GENERAL.—Section 25D(h) is amended by striking "December 31, 2034" and inserting "December 31, 2025".

(b) CONFORMING AMENDMENTS.—Section 25D(g) is amended—

(1) in paragraph (2), by inserting "and" after the comma at the end,

(2) in paragraph (3), by striking "January 1, 2033, 30 percent," and inserting "January 1, 2026, 30 percent.", and

(3) by striking paragraphs (4) and (5).

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

SEC. 112007. TERMINATION OF NEW ENERGY EFFICIENT HOME CREDIT.

(a) IN GENERAL.—Section 45L(h) is amended to read as follows:

"(h) TERMINATION.—This section shall not apply to any qualified new energy efficient home acquired after December 31, 2025 (December 31, 2026, in the case of any home for which construction began before May 12, 2025).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to homes acquired after December 31, 2025.

SEC. 112008. PHASE-OUT AND RESTRICTIONS ON CLEAN ELECTRICITY PRODUCTION CREDIT.

(a) PHASE-OUT.—Section 45Y(d) is amended—

(1) in paragraph (1), in the matter preceding subparagraph (A), by striking "the construction of which begins during a calendar year described in paragraph (2)" and inserting "which is placed in service after December 31, 2028,", and

(2) by striking paragraphs (2) and (3) and inserting the following new paragraph:

"(2) PHASE-OUT PERCENTAGE.—The phase-out percentage under this paragraph is equal to—

"(A) for a facility placed in service during calendar year 2029, 80 percent,

"(B) for a facility placed in service during calendar year 2030, 60 percent,

"(C) for a facility placed in service during calendar year 2031, 40 percent, and

"(D) for a facility placed in service after December 31, 2031, 0 percent.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 45Y is amended—

(1) in subsection (b)(1), by adding at the end the following new subparagraph:

"(E) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—The term 'qualified facility' shall not include any facility for which construction begins after the date that is one year after the date of the enactment of this subparagraph if the construction of such facility includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)).", and

(2) in subsection (g), by adding at the end the following new paragraph:

"(13) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if—

"(i) the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)), or

"(ii) during such taxable year, the taxpayer—

"(I) makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount to a prohibited foreign entity (as defined in section 7701(a)(51)) in an amount which is equal to or greater than 5 percent of the total of such payments made by such

taxpayer during such taxable year which are related to the production of electricity, or

"(II) makes payments described in subclause (I) to more than 1 prohibited foreign entity (as so defined) in an amount which, in the aggregate, is equal to or greater than 15 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of electricity.".

(c) REPEAL OF TRANSFERABILITY.—Section 6418(f)(1) is amended—

(1) in subparagraph (A), by striking clause (vii), and

(2) in subparagraph (B), by striking "(v), or (vii)" and inserting "or (v)".

(d) DEFINITIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 7701(a) is amended by adding at the end the following new paragraphs:

"(51) PROHIBITED FOREIGN ENTITY.—

"(A) IN GENERAL.—The term 'prohibited foreign entity' means a specified foreign entity or a foreign-influenced entity.

"(B) SPECIFIED FOREIGN ENTITY.—For purposes of subparagraph (A), the term 'specified foreign entity' means—

"(i) a foreign entity of concern described in subparagraph (A), (B), (D), or (E) of section 9901(8) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283; 15 U.S.C. 4651),

"(ii) an entity identified as a Chinese military company operating in the United States in accordance with section 1260H of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283; 10 U.S.C. 113 note),

"(iii) an entity included on a list required by clause (i), (ii), (iv), or (v) of section 2(d)(2)(B) of Public Law 117–78 (135 Stat. 1527),

"(iv) an entity specified under section 154(b) of the National Defense Authorization Act for Fiscal Year 2024 (Public Law 118–31; 10 U.S.C. note prec. 4651), or

"(v) a foreign-controlled entity.

"(C) FOREIGN-CONTROLLED ENTITY.—For purposes of subparagraph (B), the term 'foreign-controlled entity' means—

"(i) the government of a covered nation (as defined in section 4872(f)(2) of title 10, United States Code),

"(ii) a person who is a citizen, national, or resident of a covered nation, provided that such person is not an individual who is a citizen or lawful permanent resident of the United States,

"(iii) an entity or a qualified business unit (as defined in section 989(a)) incorporated or organized under the laws of, or having its principal place of business in, a covered nation, or

"(iv) an entity (including subsidiary entities) controlled (as determined under subparagraph (F)) by an entity described in clause (i), (ii), or (iii).

"(D) FOREIGN-INFLUENCED ENTITY.—For purposes of subparagraph (A), the term 'foreign-influenced entity' means an entity—

"(i) with respect to which, during the taxable year—

"(I) a specified foreign entity has the direct or indirect authority to appoint a covered officer of such entity,

"(II) a single specified foreign entity owns at least 10 percent of such entity,

"(III) one or more specified foreign entities own in the aggregate at least 25 percent of such entity, or

"(IV) at least 25 percent of the debt of such entity is held in the aggregate by one or more specified foreign entities, or

"(ii) which, during the previous taxable year—

"(I) makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount to a specified foreign entity in an amount which is equal to or greater than 10 percent of the total of such payments made by such entity during such taxable year, or

"(II) makes payments described in subclause (I) to more than 1 specified foreign entity in an amount which, in the aggregate, is equal to or greater than 25 percent of the total of such payments made by such entity during such taxable year.

Clause (ii) shall not apply unless such entity makes such payments knowingly (or has reason to know).

"(E) COVERED OFFICER.—For purposes of this paragraph, the term 'covered officer' means, with respect to an entity—

"(i) a member of the board of directors, board of supervisors, or equivalent governing body,

"(ii) an executive-level officer, including the president, chief executive officer, chief operating officer, chief financial officer, general counsel, or senior vice president, or

"(iii) an individual having powers or responsibilities similar to those of officers or members described in clause (i) or (ii).

"(F) DETERMINATION OF CONTROL.—For purposes of subparagraph (C)(iv), the term 'control' means—

"(i) in the case of a corporation, ownership (by vote or value) of more than 50 percent of the stock in such corporation,

"(ii) in the case of a partnership, ownership of more than 50 percent of the profits interests or capital interests in such partnership, or

"(iii) in any other case, ownership of more than 50 percent of the beneficial interests in the entity.

"(G) DETERMINATION OF OWNERSHIP.—For purposes of this section, section 318 (relating to constructive ownership of stock) shall apply for purposes of determining ownership of stock in a corporation. Similar principles shall apply for purposes of determining ownership of interests in any other entity.

"(H) REGULATIONS AND GUIDANCE.—The Secretary may prescribe such regulations and guidance as may be necessary or appropriate to carry out the provisions of this paragraph.

"(52) MATERIAL ASSISTANCE FROM A PROHIBITED FOREIGN ENTITY.—

"(A) IN GENERAL.—The term 'material assistance from a prohibited foreign entity' means, with respect to any property—

"(i) any component, subcomponent, or applicable critical mineral (as defined in section 45X(c)(6)) included in such property that is extracted, processed, recycled, manufactured, or assembled by a prohibited foreign entity, and

"(ii) any design of such property which is based on any copyright or patent held by a prohibited foreign entity or any know-how or trade secret provided by a prohibited foreign entity.

"(B) EXCLUSION.—

"(i) IN GENERAL.—The term 'material assistance from a prohibited foreign entity' shall not include any assembly part or constituent material, provided that such part or material is not acquired directly from a prohibited foreign entity.

"(ii) ASSEMBLY PART.—For purposes of this subparagraph, the term 'assembly part' means a subcomponent or collection of subcomponents which is—

"(I) not uniquely designed for use in the construction of a qualified facility described in section 45Y or 48E or an eligible component described in section 45X, and

"(II) not exclusively or predominantly produced by prohibited foreign entities.

"(iii) CONSTITUENT MATERIAL.—For purposes of this subparagraph, the term 'constituent material' means any material which is—

"(I) not uniquely formulated for use in a qualified facility described in section 45Y or 48E or an eligible component described in section 45X, and

"(II) not exclusively or predominantly produced, processed, or extracted by prohibited foreign entities.

"(iv) REGULATIONS AND GUIDANCE.—The Secretary may prescribe such regulations and guidance as may be necessary or appropriate to carry out the provisions of this paragraph.".

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

(2) OTHER PROVISIONS.—The amendment made by subsection (c) shall apply to facilities for which construction begins after the date that is 2 years after the date of enactment of this Act.

SEC. 112009. PHASE-OUT AND RESTRICTIONS ON CLEAN ELECTRICITY INVESTMENT CREDIT.

(a) PHASE-OUT.—Section 48E(e) is amended—

(1) in paragraph (1), in the matter preceding subparagraph (A), by striking "the construction of which begins during a calendar year described in paragraph (2)" and inserting "which is placed in service after December 31, 2028,", and

(2) by striking paragraphs (2) and (3) and inserting the following:

"(2) PHASE-OUT PERCENTAGE.—The phase-out percentage under this paragraph is equal to—

"(A) for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2029, 80 percent,

"(B) for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2030, 60 percent,

"(C) for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2031, 40 percent, and

"(D) for any qualified investment with respect to any qualified facility or energy storage technology placed in service after December 31, 2031, 0 percent.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

(1) IN GENERAL.—Section 48E is amended—

(A) in subsection (b)(3), by adding at the end the following new subparagraph:

"(D) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—The term 'qualified facility' shall not include any facility the construction of which begins after the date that is one year after the date of the enactment of this subparagraph if the construction of such facility includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)).", and

(B) in subsection (c), by adding at the end the following new paragraph:

"(3) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—The term 'energy storage technology' shall not include any property the construction of which begins after the date that is one year after the date of the enactment of this paragraph if the construction of such property includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)).".

(2) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 48E(d) is amended by adding at the end the following new paragraph:

"(6) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if—

"(i) the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)), or

"(ii) during such taxable year, the taxpayer—

"(I) makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount to a prohibited foreign entity (as defined in section 7701(a)(51)) in an amount which is equal to or greater than 5 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of electricity or storage of energy, or

"(II) makes payments described in subclause (I) to more than 1 prohibited foreign entity (as so defined) in an amount which, in the aggregate, is equal to or greater than 15 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of electricity or storage of energy.".

(3) RECAPTURE.—Section 50(a) is amended—

(A) by redesignating paragraphs (4) through (6) as paragraphs (5) through (7), respectively,

(B) by inserting after paragraph (3) the following new paragraph:

"(4) PAYMENTS TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—If there is an applicable payment made by a specified taxpayer before the close of the 10-year period beginning on the date such taxpayer placed in service investment credit property which is eligible for the clean electricity investment credit under section 48E(a), then the tax under this chapter for the taxable year in which such applicable payment occurs shall be increased by 100 percent of the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted solely from reducing to zero any credit determined under section 46 which is attributable to the clean electricity investment credit under section 48E(a) with respect to such property.

"(B) APPLICABLE PAYMENT.—For purposes of this paragraph, the term 'applicable payment' means, with respect

to any taxable year, a payment or payments described in subclause (I) or (II) of section 48E(d)(6)(B)(ii).

"(C) SPECIFIED TAXPAYER.—For purposes of this paragraph, the term 'specified taxpayer' means any taxpayer who has been allowed a credit under section 48E(a) for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph.",

(C) in paragraph (5), as redesignated by subparagraph (A), by striking "or any applicable transaction to which paragraph (3)(A) applies," and inserting "any applicable transaction to which paragraph (3)(A) applies, or any applicable payment to which paragraph (4)(A) applies,", and

(D) in paragraph (7), as redesignated by subparagraph (A), by striking "or (3)" and inserting "(3), or (4)".

(c) REPEAL OF TRANSFERABILITY.—Section 6418, as amended by section 112008, is amended—

(1) in subsection (f)(1)(A), by striking clause (xi), and

(2) in subsection (g)(3), by striking "clauses (ix) through (xi)" and inserting "clause (ix) or (x)".

(d) CONFORMING AMENDMENTS.—Section 48E(h)(4) is amended—

(1) in subparagraph (C), by striking "December 31 of the applicable year (as defined in section 45Y(d)(3))" and inserting "December 31, 2031",

(2) in subparagraph (D), by striking "the third calendar year following the applicable year (as defined in section 45Y(d)(3))" and inserting "2031", and

(3) in subparagraph (E)(i), by striking "after the date that is 4 years after the date of the allocation with respect to the facility of which such property is a part" and inserting "the earlier of—

"(I) the date that is 4 years after the date of the allocation with respect to the facility of which such property is a part, or

"(II) December 31, 2031.".

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

(2) OTHER PROVISIONS.—The amendments made by subsection (c) shall apply to facilities and energy storage technology for which construction begins after the date that is 2 years after the date of enactment of this Act.

SEC. 112010. REPEAL OF TRANSFERABILITY OF CLEAN FUEL PRODUCTION CREDIT.

(a) IN GENERAL.—Section 6418(f)(1)(A), as amended by sections 112008 and 112009, is amended by striking clause (viii).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to fuel produced after December 31, 2027.

SEC. 112011. RESTRICTIONS ON CARBON OXIDE SEQUESTRATION CREDIT.

(a) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 45Q(f) is amended by adding at the end the following new paragraph:

"(10) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).".

(b) REPEAL OF TRANSFERABILITY.—Section 6418(f)(1), as amended by sections 112008, 112009, and 112010, is amended—

(1) in subparagraph (A), by striking clause (iii), and

(2) in subparagraph (B)—

(A) in the matter preceding clause (i), by striking "clause (ii), (iii), or (v)" and inserting "clause (ii) or (v)", and

(B) in clause (ii), by striking "(or, in the case" and all that follows through "at such facility)".

(c) EFFECTIVE DATES.—

(1) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—The amendments made by subsection (a) shall apply to taxable years beginning after the date of enactment of this Act.

(2) REPEAL OF TRANSFERABILITY.—The amendments made by subsection (b) shall apply to carbon capture equipment the construction of which begins after the date that is 2 years after the date of enactment of this Act.

SEC. 112012. PHASE-OUT AND RESTRICTIONS ON ZERO-EMISSION NUCLEAR POWER PRODUCTION CREDIT.

(a) PHASE-OUT.—Section 45U(e) is amended to read as follows:

"(e) CREDIT PHASE-OUT.—

"(1) IN GENERAL.—For any taxable year beginning after December 31, 2028, the amount of the zero-emission nuclear power production credit under subsection (a) for such taxable year shall be equal to the product of—

"(A) the amount of the credit determined under subsection (a) without regard to this subsection, multiplied by

"(B) the phase-out percentage under paragraph (2).

"(2) PHASE-OUT PERCENTAGE.—The phase-out percentage under this paragraph is equal to—

"(A) for any taxable year beginning in calendar year 2029, 80 percent,

"(B) for any taxable year beginning in calendar year 2030, 60 percent,

"(C) for any taxable year beginning in calendar year 2031, 40 percent, and

"(D) for any taxable year beginning after December 31, 2031, 0 percent.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 45U(c) is amended by adding at the end the following new paragraph:

"(3) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).".

(c) REPEAL OF TRANSFERABILITY.—Section 6418(f)(1)(A), as amended by section 112008, 112009, 112010, and 112011, is amended by striking clause (iv).

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

(2) REPEAL OF TRANSFERABILITY.—The amendment made by subsection (c) shall apply to electricity produced and sold after December 31, 2027.

SEC. 112013. TERMINATION OF CLEAN HYDROGEN PRODUCTION CREDIT.

(a) TERMINATION.—Section 45V(c)(3)(C) is amended by striking "January 1, 2033" and inserting "January 1, 2026".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to facilities the construction of which begins after December 31, 2025.

SEC. 112014. PHASE-OUT AND RESTRICTIONS ON ADVANCED MANUFACTURING PRODUCTION CREDIT.

(a) PHASE-OUT.—Section 45X(b)(3) is amended—

(1) in subparagraph (B)—

(A) in clause (ii), by adding "and" at the end,

(B) in clause (iii), by striking "during calendar year 2032, 25 percent," and inserting "after December 31, 2031, 0 percent.", and

(C) by striking clause (iv), and

(2) by striking subparagraph (C) and inserting the following:

"(C) TERMINATION FOR WIND ENERGY COMPONENTS.—This section shall not apply to wind energy components sold after December 31, 2027.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 45X is amended—

(1) in subsection (c)(1), by adding at the end the following new subparagraph:

"(C) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—In the case of taxable years beginning after the date which is 2 years after the date of enactment of this subparagraph, the term 'eligible component' shall not include any property which—

"(i) includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)), or

"(ii) is produced subject to a licensing agreement with a prohibited foreign entity (as defined in section 7701(a)(51)) for which the value of such agreement is in excess of $1,000,000.", and

(2) in subsection (d), by adding at the end the following new paragraph:

"(5) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).

"(C) PAYMENTS TO PROHIBITED FOREIGN ENTITIES.—

"(i) IN GENERAL.—If, for any taxable year beginning after the date that is 2 years after the date of the enactment of this paragraph, a taxpayer is described in clause (ii) for such taxable year with respect to any eligible component category, no credit shall be determined under subsection (a) for eligible components in such eligible component category for such taxable year.

"(ii) TAXPAYER DESCRIBED.—A taxpayer is described in this clause for a taxable year with respect to any eligible component category if such taxpayer—

"(I) makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount to a prohibited foreign entity (as defined in section 7701(a)(51)) in an amount which is equal to or greater than 5 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of eligible components included within such eligible component category, or

"(II) makes payments described in subclause (I) to more than 1 prohibited foreign entity (as so defined) in an amount which, in the aggregate, is equal to or greater than 15 percent of such payments made by such taxpayer during such taxable year which are related to the production of eligible components included within such eligible component category.

"(iii) ELIGIBLE COMPONENT CATEGORY.—For purposes of this subparagraph, the term 'eligible component cat-

egory' means eligible components which are included within each respective clause under subsection (c)(1)(A).".

(c) REPEAL OF TRANSFERABILITY.—Section 6418, as amended by sections 112008, 112009, 112010, 112011, and 112012 is amended—

(1) in subsection (f)(1)—

(A) in subparagraph (A)—

(i) by striking clause (vi), and

(ii) by redesignating clauses (v), (ix), and (x) as clauses (iii), (iv), and (v), respectively, and

(B) in subparagraph (B), by striking "clause (ii) or (v)" and inserting "clause (ii) or (iii)", and

(2) in subsection (g)(3), by striking "clause (ix) or (x)" and inserting "clause (iv) or (v)".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

(2) REPEAL OF TRANSFERABILITY.—The amendments made by subsection (c) shall apply to components sold after December 31, 2027.

SEC. 112015. PHASE-OUT OF CREDIT FOR CERTAIN ENERGY PROPERTY.

(a) PHASE-OUT.—Section 48(a) is amended—

(1) in paragraph (3)(vii), by striking "the construction of which begins before January 1, 2035" and inserting "the construction of which begins before January 1, 2032", and

(2) by striking paragraph (7) and inserting the following new paragraph:

"(7) PHASE-OUT FOR CERTAIN ENERGY PROPERTY.—In the case of any energy property described in clause (vii) of paragraph (3)(A), the energy percentage determined under paragraph (2) shall be equal to—

"(A) in the case of any property the construction of which begins before January 1, 2030, and which is placed in service after December 31, 2021, 6 percent,

"(B) in the case of any property the construction of which begins after December 31, 2029, and before January 1, 2031, 5.2 percent, and

"(C) in the case of any property the construction of which begins after December 31, 2030, and before January 1, 2032, 4.4 percent.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 48(a) is amended by redesignating paragraph (16) as paragraph (17) and by inserting after paragraph (15) the following new paragraph:

"(16) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under this subsection for energy property described in paragraph (3)(A)(vii) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this para-

graph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under this subsection for energy property described in paragraph (3)(A)(vii) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).".

(c) REPEAL OF TRANSFERABILITY.—Section 6418(f)(1)(A)(iv), as redesignated by section 112014, is amended by inserting "(except so much of the credit as is determined under paragraph (3)(A)(vii) of such section)" after "section 48".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) REPEAL OF TRANSFERABILITY.—The amendments made by subsection (c) shall apply to property the construction of which begins after the date that is 2 years after the date of enactment of this Act.

SEC. 112016. INCOME FROM HYDROGEN STORAGE, CARBON CAPTURE ADDED TO QUALIFYING INCOME OF CERTAIN PUBLICLY TRADED PARTNERSHIPS TREATED AS CORPORATIONS.

(a) IN GENERAL.—Section 7704(d)(1)(E) is amended—

(1) by striking "income and gains derived from the exploration" and inserting "income and gains derived from—

"(i) the exploration",

(2) by inserting "or" before "industrial source", and

(3) by striking ", or the transportation or storage" and all that follows and inserting the following:

"(ii) the transportation or storage of—

"(I) any fuel described in subsection (b), (c), (d), (e), or (k) of section 6426, or any alcohol fuel defined in section 6426(b)(4)(A) or any biodiesel fuel as defined in section 40A(d)(1) or sustainable aviation fuel as defined in section 40B(d)(1), or

"(II) liquified hydrogen or compressed hydrogen, or

"(iii) in the case of a qualified facility (as defined in section 45Q(d), without regard to any date by which construction of the facility is required to begin) not less than 50 percent of the total carbon oxide production of which is qualified carbon oxide (as defined in section 45Q(c))—

"(I) the generation, availability for such generation, or storage of electric power at such facility, or

"(II) the capture of carbon dioxide by such facility,".

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

SEC. 112017. LIMITATION ON AMORTIZATION OF CERTAIN SPORTS FRANCHISES.

(a) IN GENERAL.—Section 197 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

"(g) LIMITATION ON AMORTIZATION OF CERTAIN SPORTS FRANCHISES.—

"(1) IN GENERAL.—In the case of a specified sports franchise intangible, subsection (a) shall be applied by substituting '50 percent of the adjusted basis' for 'the adjusted basis'.

"(2) SPECIFIED SPORTS FRANCHISE INTANGIBLE.—For purposes of this subsection, the term 'specified sports franchise intangible' means any amortizable section 197 intangible which is—

"(A) a franchise to engage in professional football, basketball, baseball, hockey, soccer, or other professional sport, or

"(B) acquired in connection with such a franchise.".

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

SEC. 112018. LIMITATION ON INDIVIDUAL DEDUCTIONS FOR CERTAIN STATE AND LOCAL TAXES, ETC.

(a) IN GENERAL.—Section 275 is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

"(b) LIMITATION ON INDIVIDUAL DEDUCTIONS FOR CERTAIN STATE AND LOCAL TAXES, ETC.—

"(1) LIMITATION.—

"(A) IN GENERAL.—In the case of an individual, no deduction shall be allowed for—

"(i) any disallowed foreign real property taxes, and

"(ii) any specified taxes to the extent that such taxes for such taxable year in the aggregate exceed—

"(I) $15,000, in the case of a married individual filing a separate return, and

"(II) $30,000, in the case of any other taxpayer.

"(B) PHASEDOWN BASED ON MODFIED ADJUSTED GROSS INCOME.—

"(i) IN GENERAL.—Except as provided in clause (ii), the $15,000 amount in subparagraph (A)(ii)(I) and the $30,000 amount in subparagraph (A)(ii)(II) shall each be reduced by 20 percent of the excess (if any) of the taxpayer's modified adjusted gross income over—

"(I) $200,000, in the case of a married individual filing a separate return, and

"(II) $400,000, in the case of any other taxpayer.

"(ii) LIMITATION ON REDUCTION.—The reduction under clause (i) shall not result in—

"(I) the dollar amount in effect under subparagraph (A)(ii)(I) being less than $5,000, or

"(II) the dollar amount in effect under subparagraph (A)(ii)(II) being less than $10,000.

"(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross in-

come' means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

"(2) DISALLOWED FOREIGN REAL PROPERTY TAX.—For purposes of this subsection, the term 'disallowed foreign real property tax' means any tax which—

"(A) is a foreign real property tax described in section 164(a)(1) or 216(a)(1), and

"(B) is not an excepted tax.

"(3) SPECIFIED TAX.—For purposes of this subsection, the term 'specified tax' means—

"(A) any tax which—

"(i) is described in paragraph (1), (2), or (3) of section 164(a), section 164(b)(5), or section 216(a)(1), and

"(ii) is not an excepted tax or a disallowed foreign real property tax, and

"(B) any substitute payment.

"(4) EXCEPTED TAX.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'excepted tax' means—

"(i) any foreign tax described in section 164(a)(3),

"(ii) any tax described in section 164(a)(3) which is paid or accrued by a qualifying entity with respect to carrying on a qualified trade or business (as defined in section 199A(d), without regard to section 199A(b)(3)), and

"(iii) any tax described in paragraph (1) or (2) of section 164(a), or section 216(a)(1), which is paid or accrued in carrying on a trade or business or an activity described in section 212.

"(B) QUALIFYING ENTITY.—For purposes of subparagraph (A), the term 'qualifying entity' means any partnership or S corporation with gross receipts for the taxable year (within the meaning of section 448(c)) if at least 75 percent of such gross receipts are derived in a qualified trade or business (as defined in section 199A(d), without regard to section 199A(b)(3)). For purposes of the preceding sentence, the gross receipts of all trades or businesses which are under common control (within the meaning of section 52(b)) with any trade or business of the partnership or S corporation shall be taken into account as gross receipts of the entity.

"(5) SUBSTITUTE PAYMENT.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'substitute payment' means any amount (other than a tax described in paragraph (3)(A)) paid, incurred, or accrued to any entity referred to in section 164(b)(2) if, under the laws of one or more entities referred to in section 164(b)(2), one or more persons would (if the assumptions described in subparagraphs (B) and (C) applied) be entitled to specified tax benefits the aggregate dollar value of which equals or exceeds 25 percent of such amount.

"(B) ASSUMPTION REGARDING DOLLAR VALUE OF TAX BENEFITS.—The assumption described in this subparagraph is that the dollar value of a specified tax benefit is—

"(i) in the case of a credit or refund, the amount of such credit or refund,

"(ii) in the case of a deduction or exclusion, 15 percent of the amount of such deduction or exclusion, and

"(iii) in any other case, an amount determined in such manner as the Secretary may provide consistent with the principles of clauses (i) and (ii).

"(C) ASSUMPTION REGARDING STATUS OF PARTNERS OR SHAREHOLDERS.—The assumption described in this subparagraph is, in the case of any amount referred to in subparagraph (A) which is paid, incurred, or accrued by a partnership or S corporation, that all of the partners or shareholders of such partnership or S corporation, respectively, are individuals who are residents of the jurisdiction of the entity or entities providing the specified tax benefits (and possess such other characteristics as the laws of such entities may require for entitlement to such benefits).

"(D) SPECIFIED TAX BENEFIT.—For purposes of subparagraph (A), the term 'specified tax benefit' means any benefit which—

"(i) is determined with respect to the amount referred to in subparagraph (A), and

"(ii) is allowed against, or determined by reference to, a tax described in paragraph (3)(A).

"(E) EXCEPTION FOR NON-DEDUCTIBLE PAYMENTS.—To the extent that a deduction for an amount described in subparagraph (A) is not allowed under this chapter (determined without regard to this subsection, section 170(b)(1), section 703(a), section 704(d), and section 1363(b)), the term 'substitute payment' shall not include such amount.

"(F) EXCEPTION FOR CERTAIN WITHHOLDING TAXES.—To the extent provided in regulations issued by the Secretary, the term 'substitute payment' shall not include an amount withheld on behalf of another person if all of such amount is included in the gross income of such person (determined under this chapter).

"(6) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance—

"(A) to treat as a tax described in paragraph (3) of section 164(a) any tax that is, in substance, based on general tax principles, described in such paragraph,

"(B) to treat as a substitute payment any amount that, in substance, substitutes for a specified tax,

"(C) to provide for the proper allocation, for purposes of paragraph (4)(A)(ii), of taxes described in section 164(a)(3) between trades or business described in section 199A(d)(1) and trades or business not so described, and

"(D) to otherwise prevent the avoidance of the purposes of this subsection.".

(b) STATE AND LOCAL INCOME TAXES PAID BY PARTNERSHIPS AND S CORPORATIONS TAKEN INTO ACCOUNT SEPARATELY BY PARTNERS AND SHAREHOLDERS.—

(1) IN GENERAL.—Section 702(a)(6) is amended to read as follows:

"(6)(A) taxes, described in section 901, paid or accrued to foreign countries,

"(B) taxes, described in section 901, paid or accrued to possessions of the United States,

"(C) specified taxes (within the meaning of section 275(b)), other than taxes described in subparagraph (B), and

"(D) taxes described in section 275(b)(2),".

(2) TREATMENT OF SUBSTITUTE PAYMENTS.—Section 702 is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

"(d) TREATMENT OF SUBSTITUTE PAYMENTS.—Any substitute payment (as defined in section 275(b)(5)) shall be taken into account under subsection (a)(6)(C) and not under any other paragraph of subsection (a).".

(3) DISALLOWANCE OF DEDUCTION TO PARTNERSHIPS.—Section 703(a)(2)(B) is amended to read as follows:

"(B) any deduction under this chapter with respect to taxes or payments described in section 702(a)(6),".

(4) S CORPORATIONS.—For corresponding provisions related to S corporations which apply by reason of the amendments made by paragraphs (1) through (3), see sections 1366(a)(1) and 1363(b)(2) of the Internal Revenue Code of 1986.

(5) ALLOWABLE SALT DEDUCTIONS TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITATION ON PARTNERSHIP LOSSES.—Section 704(d)(3) is amended by striking subparagraph (A), by redesignating subparagraph (B) as subparagraph (C), and by inserting before subparagraph (C) (as so redesignated) the following new subparagraphs:

"(A) IN GENERAL.—In determining the amount of any loss under paragraph (1), there shall be taken into account—

"(i) the partner's distributive share of amounts described in paragraphs (4) and (6)(A) of section 702(a),

"(ii) if the taxpayer chooses to take to any extent the benefits of section 901, the partner's distributive share of amounts described in section 702(a)(6)(B), and

"(iii) the amount by which the deductions allowed under this chapter (determined without regard to this subsection) to the partner would decrease if the partner's distributive share of amounts described in section 702(a)(6)(C) were not taken into account.

"(B) TREATMENT OF POSSESSION TAXES IN EVENT PARTNER DOES NOT ELECT THE FOREIGN TAX CREDIT.—In the case of a taxpayer not described in subparagraph (A)(ii), subparagraph (A)(iii) shall be applied by substituting 'subparagraphs (B) and (C) of section 702(a)(6)' for 'section 702(a)(6)(C)'.".

(6) CONFORMING AMENDMENT.—Section 56(b)(1)(A)(ii) is amended by inserting "or for any substitute payment (as defined in section 275(b)(5))" before the period at the end.

(c) ADDITION TO TAX FOR STATE AND LOCAL TAX ALLOCATION MISMATCH.—

(1) IN GENERAL.—Part I of subchapter A of chapter 68 is amended by adding at the end the following new section:

"SEC. 6659. STATE AND LOCAL TAX ALLOCATION MISMATCH.

"(a) IN GENERAL.—In the case of any covered individual, there shall be added to the tax imposed under section 1 for the taxable year an amount equal to the product of—

"(1) the highest rate of tax in effect under such section for such taxable year, multiplied by

"(2) the sum of the State and local tax allocation mismatches for such taxable year with respect to each partnership specified tax payment with respect to which such individual is a covered individual.

"(b) COVERED INDIVIDUAL.—For purposes of this section, the term 'covered individual' means, with respect to any partnership specified tax payment, any individual (or estate or trust) who—

"(1) is entitled (directly or indirectly) to one or more specified tax benefits with respect to such payment, and

"(2) takes into account (directly or indirectly) any item of income, gain, deduction, loss, or credit of the partnership which made such payment.

"(c) STATE AND LOCAL TAX ALLOCATION MISMATCH.—For purposes of this section—

"(1) IN GENERAL.—The term 'State and local tax allocation mismatch' means, with respect to any partnership specified tax payment, the excess (if any) of—

"(A) the aggregate dollar value of the specified tax benefits of the covered individual with respect to such payment, over

"(B) the amount of such payment taken into account by such individual under section 702(a) (without regard to sections 275(b) and 704(d)).

"(2) TAXABLE YEAR OF INDIVIDUAL IN WHICH MISMATCH TAKEN INTO ACCOUNT.—In the case of any partnership specified tax payment paid, incurred, or accrued in any taxable year of the partnership, the State and local tax allocation mismatch determined under paragraph (1) with respect to such payment shall be taken into account under subsection (a) by the covered individual for the taxable year of such individual in which such individual takes into account the items referred to in subsection (b)(2) which are determined with respect to such partnership taxable year.

"(d) DETERMINATION OF DOLLAR VALUE OF SPECIFIED TAX BENEFITS.—

"(1) IN GENERAL.—Except in the case of a covered individual who elects the application of paragraph (3) for any taxable year, the dollar value of any specified tax benefit shall be the sum of—

"(A) the aggregate increase in tax liability (and reduction in credit or refund) for taxes described in section

275(b)(3)(A) for the taxable year and all prior taxable years that would result if such specified tax benefit were not taken into account with respect to such taxes, plus

"(B) the deemed value of any carryforward of such specified tax benefit (including any tax attribute derived from such benefit) to any subsequent taxable year.

"(2) DEEMED VALUE OF CARRYFORWARDS.—For purposes of paragraph (1), the deemed value of any carryforward is—

"(A) in the case of a credit or refund, the amount of such credit or refund,

"(B) in the case of a deduction or exclusion, the product of—

"(i) the highest rate of tax which may be imposed on individuals under the tax referred to in subsection (e)(3)(B) with respect to the specified tax benefit, multiplied by

"(ii) the amount of such deduction or exclusion, and

"(C) in any other case, an amount determined in such manner as the Secretary may provide consistent with the principles of subparagraphs (A) and (B).

"(3) ELECTION OF SIMPLIFIED METHOD.—In the case of a covered individual who elects the application of this paragraph for any taxable year, the dollar value of any specified tax benefit shall be determined under the assumptions described in section 275(b)(5)(B).

"(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) PARTNERSHIP SPECIFIED TAX PAYMENT.—The term 'partnership specified tax payment' means any specified tax paid, incurred, or accrued by a partnership.

"(2) SPECIFIED TAX.—The term 'specified tax' has the meaning given such term by section 275(b)(3).

"(3) SPECIFIED TAX BENEFIT.—The term 'specified tax benefit' means any benefit which—

"(A) is determined with respect to a partnership specified tax payment, and

"(B) is allowed against, or determined by reference to, a tax described in section 275(b)(3)(A).

"(f) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance preventing avoidance of the addition to tax prescribed by this section through partnership allocations that achieve similar tax reductions as a State and local tax allocation mismatch.".

(2) CLERICAL AMENDMENT.—The table of sections for part I of subchapter A of chapter 68 is amended by adding at the end the following new item:

"Sec. 6659. State and local tax allocation mismatch.".

(d) LIMITATION ON CAPITALIZATION OF SPECIFIED TAXES.—Section 275, as amended by the preceding provisions of this section, is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) LIMITATIONS ON CAPITALIZATION OF SPECIFIED TAXES.—Notwithstanding any other provision of this chapter, in the case of an

individual, specified taxes (as defined in subsection (b)) shall not be treated as chargeable to capital account.".

(e) REPORTING BY PARTNERSHIPS AND S CORPORATIONS WITH RESPECT TO SPECIFIED SERVICE TRADE OR BUSINESS INCOME.—

(1) PARTNERSHIPS.—Section 6031 is amended by adding at the end the following new subsection:

"(g) SPECIFIED SERVICE TRADE OR BUSINESS INCOME.—Returns required under subsection (a), and copies required to be furnished under subsection (b), shall include a statement of whether or not the partnership had any gross receipts (within the meaning of section 448(c)) from a trade or business described in subsection 199A(d)(2).".

(2) S CORPORATIONS.—Section 6037 is amended by adding at the end the following new subsection:

"(d) SPECIFIED SERVICE TRADE OR BUSINESS INCOME.—Returns required under subsection (a), and copies required to be furnished under subsection (b), shall include a statement of whether or not the S corporation had any gross receipts (within the meaning of section 448(c)) from a trade or business described in subsection 199A(d)(2).".

(f) CONFORMING AMENDMENT.—Section 164(b) is amended by striking paragraph (6).

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

SEC. 112019. EXCESSIVE EMPLOYEE REMUNERATION FROM CONTROLLED GROUP MEMBERS AND ALLOCATION OF DEDUCTION.

(a) APPLICATION OF AGGREGATION RULES.—Section 162(m) is amended by adding at the end the following new paragraph:

"(7) REMUNERATION FROM CONTROLLED GROUP MEMBERS.—

"(A) IN GENERAL.—In the case of any publicly held corporation which is a member of a controlled group—

"(i) paragraph (1) shall be applied by substituting 'specified covered employee' for 'covered employee', and

"(ii) if any person which is a member of such controlled group (other than such publicly held corporation) provides applicable employee remuneration to an individual who is a specified covered employee of such controlled group and the aggregate amount described in subparagraph (B)(ii) with respect to such specified covered employee exceeds $1,000,000—

"(I) paragraph (1) shall apply to such person with respect to such remuneration, and

"(II) paragraph (1) shall apply to such publicly held corporation and to each such related person by substituting 'the allocable limitation amount' for '$1,000,000'.

"(B) ALLOCABLE LIMITATION AMOUNT.—For purposes of this paragraph, the term 'allocable limitation amount' means, with respect to any member of the controlled group referred to in subparagraph (A) with respect to any specified covered employee of such controlled group, the amount which bears the same ratio to $1,000,000 as—

"(i) the amount of applicable employee remuneration provided by such member with respect to such specified covered employee, bears to

"(ii) the aggregate amount of applicable employee remuneration provided by all such members with respect to such specified covered employee.

"(C) SPECIFIED COVERED EMPLOYEE.—For purposes of this paragraph, the term 'specified covered employee' means, with respect to any controlled group—

"(i) any employee described in subparagraph (A), (B), or (D) of paragraph (3), with respect to the publicly held corporation which is a member of such controlled group, and

"(ii) any employee who would be described in subparagraph (C) of paragraph (3) if such subparagraph were applied by taking into account the employees of all members of the controlled group.

"(D) CONTROLLED GROUP.—For purposes of this paragraph, the term 'controlled group' means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414.".

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

SEC. 112020. EXPANDING APPLICATION OF TAX ON EXCESS COMPENSATION WITHIN TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Section 4960(c)(2) is amended to read as follows:

"(2) COVERED EMPLOYEE.—For purposes of this section, the term 'covered employee' means any employee (including any former employee) of an applicable tax-exempt organization or any related person or governmental entity.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2025.

SEC. 112021. MODIFICATION OF EXCISE TAX ON INVESTMENT INCOME OF CERTAIN PRIVATE COLLEGES AND UNIVERSITIES.

(a) IN GENERAL.—Section 4968 is amended to read as follows:

"SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.

"(a) TAX IMPOSED.—There is hereby imposed on each applicable educational institution for the taxable year a tax equal to the applicable percentage of the net investment income of such institution for the taxable year.

"(b) APPLICABLE PERCENTAGE.—For purposes of this section, the term 'applicable percentage' means—

"(1) 1.4 percent in the case of an institution with a student adjusted endowment in excess of $500,000, and not in excess of $750,000,

"(2) 7 percent in the case of an institution with a student adjusted endowment in excess of $750,000, and not in excess of $1,250,000,

"(3) 14 percent in the case of an institution with a student adjusted endowment in excess of $1,250,000, and not in excess of $2,000,000, and

"(4) 21 percent in the case of an institution with a student adjusted endowment in excess of $2,000,000.

"(c) APPLICABLE EDUCATIONAL INSTITUTION.—For purposes of this subchapter—

"(1) IN GENERAL.—The term 'applicable educational institution' means an eligible educational institution (as defined in section 25A(f)(2))—

"(A) which had at least 500 tuition-paying students during the preceding taxable year,

"(B) more than 50 percent of the tuition-paying students of which are located in the United States,

"(C) which is not—

"(i) described in the first sentence of section 511(a)(2)(B) (relating to State colleges and universities), or

"(ii) a qualified religious institution, and

"(D) the student adjusted endowment of which is at least $500,000.

"(2) QUALIFIED RELIGIOUS INSTITUTION.—For purposes of this subsection, the term 'qualified religious institution' means any institution—

"(A) established after July 4, 1776,

"(B) that was established by or in association with and has continuously maintained an affiliation with an organization described in section 170(b)(1)(A)(i), and

"(C) which maintains a published institutional mission that is approved by the governing body of such institution and that includes, refers to, or is predicated upon religious tenets, beliefs, or teachings.

"(d) STUDENT ADJUSTED ENDOWMENT.—For purposes of this section—

"(1) IN GENERAL.—The term 'student adjusted endowment' means, with respect to any institution for any taxable year—

"(A) the aggregate fair market value of the assets of such institution (determined as of the end of the preceding taxable year), other than those assets which are used directly in carrying out the institution's exempt purpose, divided by

"(B) the number of eligible students of such institution.

"(2) ELIGIBLE STUDENT.—For purposes of this subsection, the term 'eligible student' means a student of the institution that meets the student eligibility requirements under section 484(a)(5) of the Higher Education Act of 1965.

"(e) DETERMINATION OF NUMBER OF STUDENTS.—For purposes of subsections (c)(1) and (d), the number of students of an institution (including for purposes of determining the number of students at a particular location) shall be based on the daily average number of full-time students attending such institution (with part-time students taken into account on a full-time student equivalent basis).

"(f) NET INVESTMENT INCOME.—For purposes of this section—

"(1) IN GENERAL.—Net investment income shall be determined under rules similar to the rules of section 4940(c).

"(2) OVERRIDE OF CERTAIN REGULATORY EXCEPTIONS.—

"(A) STUDENT LOAN INTEREST.—Net investment income shall be determined by taking into account any interest income from a student loan made by the applicable educational institution (or any related organization) as gross investment income.

"(B) FEDERALLY-SUBSIDIZED ROYALTY INCOME.—

"(i) IN GENERAL.—Net investment income shall be determined by taking into account any Federally-subsidized royalty income as gross investment income.

"(ii) FEDERALLY-SUBSIDIZED ROYALTY INCOME.—For purposes of this subparagraph—

"(I) IN GENERAL.—The term 'Federally-subsidized royalty income' means any otherwise-regulatory-exempt royalty income if any Federal funds were used in the research, development, or creation of the patent, copyright, or other intellectual or intangible property from which such royalty income is derived.

"(II) OTHERWISE-REGULATORY-EXEMPT ROYALTY INCOME.—For purposes of this subparagraph, the term 'otherwise-regulatory-exempt royalty income' means royalty income which (but for this subparagraph) would not be taken into account as gross investment income by reason of being derived from patents, copyrights, or other intellectual or intangible property which resulted from the work of students or faculty members in their capacities as such with the applicable educational institution.

"(III) FEDERAL FUNDS.—The term 'Federal funds' includes any grant made by, and any payment made under any contract with, any Federal agency to the applicable educational institution, any related organization, or any student or faculty member referred to in subclause (II).

"(g) ASSETS AND NET INVSTEMENT INCOME OF RELATED ORGANIZATIONS.—

"(1) IN GENERAL.—For purposes of subsections (d) and (f), assets and net investment income of any related organization with respect to an educational institution shall be treated as assets and net investment income, respectively, of the educational institution, except that—

"(A) no such amount shall be taken into account with respect to more than 1 educational institution, and

"(B) unless such organization is controlled by such institution or is described in section 509(a)(3) with respect to such institution for the taxable year, assets and net investment income which are not intended or available for the use or benefit of the educational institution shall not be taken into account.

"(2) RELATED ORGANIZATION.—For purposes of this subsection, the term 'related organization' means, with respect to an educational institution, any organization which—

"(A) controls, or is controlled by, such institution,

"(B) is controlled by 1 or more persons which also control such institution, or

"(C) is a supported organization (as defined in section 509(f)(3)), or an organization described in section 509(a)(3), during the taxable year with respect to such institution.

"(h) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary to prevent avoidance of the tax under this section, including regulations or other guidance to prevent avoidance of such tax through the restructuring of endowment funds or other arrangements designed to reduce or eliminate the value of net investment income or assets subject to the tax imposed by this section.".

(b) REQUIREMENT TO REPORT CERTAIN INFORMATION WITH RESPECT TO APPLICATION OF EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.—Section 6033 is amended by redesignating subsection (o) as subsection (p) and by inserting after subsection (n) the following new subsection:

"(o) REQUIREMENT TO REPORT CERTAIN INFORMATION WITH RESPECT TO EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.—Each applicable educational institution described in section 4968(c) which is subject to the requirements of subsection (a) shall include on the return required under subsection (a)—

"(1) the number of eligible students taken into account under section 4968(c)(1)(D), and

"(2) the number of students of such institution (determined after application of section 4968(e)).".

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

SEC. 112022. INCREASE IN RATE OF TAX ON NET INVESTMENT INCOME OF CERTAIN PRIVATE FOUNDATIONS.

(a) IN GENERAL.—Section 4940(a) is amended by striking "1.39 percent" and inserting "the applicable percentage".

(b) APPLICABLE PERCENTAGE.—Section 4940(a) is amended—

(1) by striking "There is hereby" and inserting the following:

"(1) IMPOSITION OF TAX.—There is hereby", and

(2) by adding at the end the following new paragraphs:

"(2) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term 'applicable percentage' means, with respect to any taxable year—

"(A) in the case of a private foundation with assets of less than $50,000,000, 1.39 percent,

"(B) in the case of a private foundation with assets of at least $50,000,000, and less than $250,000,000, 2.78 percent,

"(C) in the case of a private foundation with assets of at least $250,000,000, and less than $5,000,000,000, 5 percent, and

"(D) in the case of a private foundation with assets of at least $5,000,000,000, 10 percent.

"(3) ASSETS.—For purposes of this subsection, the assets of any private foundation shall be determined with respect to any taxable year as being the aggregate fair market value of all assets of such private foundation, as determined as of the close

of such taxable year. The preceding sentence shall be applied without reduction for any liabilities.

"(4) AGGREGATION.—

"(A) IN GENERAL.—For purposes of paragraphs (2) and (3), assets of any related organization with respect to a private foundation shall be treated as assets of the private foundation, except that—

"(i) no such assets shall be taken into account with respect to more than 1 private foundation, and

"(ii) unless such organization is controlled by such private foundation, assets which are not intended or available for the use or benefit of the private foundation shall not be taken into account.

"(B) RELATED ORGANIZATION.—For purposes of this paragraph, the term 'related organization' means, with respect to a private foundation, any organization which—

"(i) controls, or is controlled by, such private foundation, or

"(ii) is controlled by 1 or more persons which also control such private foundation.".

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

SEC. 112023. CERTAIN PURCHASES OF EMPLOYEE-OWNED STOCK DISREGARDED FOR PURPOSES OF FOUNDATION TAX ON EXCESS BUSINESS HOLDINGS.

(a) IN GENERAL.—Section 4943(c)(4)(A) is amended by adding at the end the following new clauses:

"(v) For purposes of clause (i), subparagraph (D), and paragraph (2), any voting stock which—

"(I) is not readily tradable on an established securities market,

"(II) is purchased by the business enterprise on or after January 1, 2020, from an employee stock ownership plan (as defined in section 4975(e)(7)) in which employees of such business enterprise participate, in connection with a distribution from such plan, and

"(III) is held by the business enterprise as treasury stock, cancelled, or retired,

shall be treated as outstanding voting stock, but only to the extent so treating such stock would not result in permitted holdings exceeding 49 percent (determined without regard to this clause). The preceding sentence shall not apply with respect to the purchase of stock from a plan during the 10-year period beginning on the date the plan is established.

"(vi) Section 4943(c)(4)(A)(ii) shall not apply with respect to any decrease in the percentage of holdings in a business enterprise by reason of the application of clause (v).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending after the date of the enactment of this Act and to purchases by a business enterprise of voting stock in taxable years beginning after December 31, 2019.

SEC. 112024. UNRELATED BUSINESS TAXABLE INCOME INCREASED BY AMOUNT OF CERTAIN FRINGE BENEFIT EXPENSES FOR WHICH DEDUCTION IS DISALLOWED.

(a) IN GENERAL.—Section 512(a) is amended by adding at the end the following new paragraph:

"(7) INCREASE IN UNRELATED BUSINESS TAXABLE INCOME BY DISALLOWED FRINGE.—

"(A) IN GENERAL.—Unrelated business taxable income of an organization shall be increased by any amount—

"(i) which is paid or incurred by such organization for any qualified transportation fringe (as defined in section 132(f)) or any parking facility used in connection with qualified parking (as defined in section 132(f)(5)(C)),

"(ii) which is not directly connected with an unrelated trade or business which is regularly carried on by the organization, and

"(iii) for which a deduction is not allowable under this chapter by reason of section 274.

"(B) EXCEPTION FOR CHURCH ORGANIZATIONS.—Subparagraph (A) shall not apply to—

"(i) any organization to which section 6033(a)(1) does not apply by reason of clause (i) or (iii) of section 6033(a)(3)(A), and

"(ii) any church-affiliated organization described in section 501(c) which is not required to file an annual return under section 6033(a)(1) by reason of section 6033(a)(3)(B).

"(C) TREATMENT AS INCOME FROM SEPARATE TRADE OR BUSINESS.—For purposes of paragraph (6), any increase under subparagraph (A) shall be treated as unrelated business taxable income with respect to an unrelated trade or business separate from any other unrelated trade or business of the organization.

"(D) REGULATIONS.— The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations or other guidance providing for the appropriate allocation of costs with respect to facilities used for parking.".

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

SEC. 112025. NAME AND LOGO ROYALTIES TREATED AS UNRELATED BUSINESS TAXABLE INCOME.

(a) IN GENERAL.—Section 513 is amended by adding at the end the following new subsection:

"(k) NAME AND LOGO ROYALTIES.—Any sale or licensing by an organization of any name or logo of the organization (including any trademark or copyright relating to such name or logo) shall be treated as an unrelated trade or business regularly carried on by such organization.".

(b) CALCULATION OF UNRELATED BUSINESS TAXABLE INCOME.—Section 512(b) is amended by adding at the end the following new paragraph:

"(20) SPECIAL RULE FOR NAME AND LOGO ROYALTIES.—Notwithstanding any other paragraph of this subsection, any income derived from any sale or licensing described in section 513(k) shall be included as an item of gross income derived from an unrelated trade or business.".

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

SEC. 112026. EXCLUSION OF RESEARCH INCOME LIMITED TO PUBLICLY AVAILABLE RESEARCH.

(a) IN GENERAL.—Section 512(b)(9) is amended by striking "from research" and inserting "from such research".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts received or accrued after December 31, 2025.

SEC. 112027. LIMITATION ON EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS.

(a) RULE MADE PERMANENT.—Section 461(l)(1) is amended by striking "and before January 1, 2029," each place it appears.

(b) CERTAIN NET OPERATING LOSS CARRYOVER TAKEN INTO ACCOUNT.—Section 461(l)(3) is amended—

(1) by inserting "(except as provided in subparagraph (B))" after "section 172",

(2) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and

(3) by inserting after subparagraph (A) the following new subparagraph:

"(B) CERTAIN NET OPERATING LOSS CARRYOVER TAKEN INTO ACCOUNT.—

"(i) IN GENERAL.—For purposes of subparagraph (A)(i), the aggregate deductions of the taxpayer shall be increased by so much of the net operating loss carried to the taxable year as is attributable to the treatment of a specified loss as a net operating loss under paragraph (2).

"(ii) SPECIFIED LOSS.—For purposes of this subparagraph, the term 'specified loss' means a loss which is disallowed under paragraph (1) for a taxable year beginning after December 31, 2024.".

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

SEC. 112028. 1-PERCENT FLOOR ON DEDUCTION OF CHARITABLE CONTRIBUTIONS MADE BY CORPORATIONS.

(a) IN GENERAL.—Section 170(b)(2)(A) is amended to read as follows:

"(A) IN GENERAL.—Any charitable contribution (other than any contribution to which subparagraph (B) or subparagraph (C) applies or any contribution for which a deduction is not allowable under this section without regard to this paragraph) shall be allowed as a deduction under this subsection (a) only to the extent that the aggregate of such contributions—

"(i) exceeds 1 percent of the taxpayer's taxable income, and

"(ii) does not exceed 10 percent of the taxpayer's taxable income.".

(b) APPLICATION OF CARRYFORWARD.—Section 170(d)(2) is amended to read as follows:

"(2) CORPORATIONS.—

"(A) IN GENERAL.—Any charitable contribution taken into account under subsection (b)(2)(A) for any taxable year which is not allowed as a deduction by reason of clause (ii) thereof shall be taken into account as a charitable contribution for the succeeding taxable year, except that, for purposes of determining under this subparagraph whether such contribution is allowed in such succeeding taxable year, contributions in such succeeding taxable year (determined without regard to this paragraph) shall be taken into account under subsection (b)(2)(A) before any contribution taken into account by reason of this paragraph.

"(B) 5-YEAR CARRYFORWARD.—No charitable contribution may be carried forward under subparagraph (A) to any taxable year following the fifth taxable year after the taxable year in which the charitable contribution was first taken into account. For purposes of the preceding sentence, contributions shall be treated as allowed on a first-in first-out basis.

"(C) CONTRIBUTIONS DISALLOWED BY 1-PERCENT FLOOR CARRIED FORWARD ONLY FROM YEARS IN WHICH 10 PERCENT LIMITATION IS EXCEEDED.—In the case of any taxable year from which a charitable contribution is carried forward under subparagraph (A) (determined without regard this subparagraph), subparagraph (A) shall be applied by substituting 'clause (i) or (ii)' for 'clause (ii)'.

"(D) SPECIAL RULE FOR NET OPERATING LOSS CARRYOVERS.—The amount of charitable contributions carried forward under subparagraph (A) shall be reduced to the extent that such carryfoward would (but for this subparagraph) reduce taxable income (as computed for purposes of the second sentence of section 172(b)(2)) and increase a net operating loss carryover under section 172 to a succeeding taxable year.".

(c) CONFORMING AMENDMENTS.—Subparagraph (B)(ii) and (C)(ii) of section 170(b)(2) are each amended by inserting "other than subparagraph (C) thereof" after "subsection (d)(2)".

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

SEC. 112029. ENFORCEMENT OF REMEDIES AGAINST UNFAIR FOREIGN TAXES.

(a) IN GENERAL.—Subpart D of part II of subchapter N of chapter 1 is amended by adding at the end the following new section:

"SEC. 899. ENFORCEMENT OF REMEDIES AGAINST UNFAIR FOREIGN TAXES.

"(a) INCREASED RATES OF TAX ON FOREIGN PERSONS OF DISCRIMINATORY FOREIGN COUNTRIES.—

"(1) TAXES OTHER THAN WITHHOLDING TAXES.—

"(A) IN GENERAL.—In the case of any applicable person, each specified rate of tax (or any rate of tax applicable in lieu of such statutory rate) shall be increased by the applicable number of percentage points.

"(B) SPECIFIED RATE OF TAX.—For purposes of this paragraph, the term 'specified rate of tax' means—

"(i) the rates of tax specified in paragraphs (1) and (2) of section 871(a),

"(ii) in the case of any applicable person to which section 871(b) applies, each rate of tax in effect under section 1,

"(iii) the rate of tax specified in section 881(a),

"(iv) in the case of any applicable person to which section 882(a) applies, the rate of tax specified in section 11(b),

"(v) the rate of tax specified in section 884(a), and

"(vi) the rate of tax specified in section 4948(a).

"(C) APPLICATION OF INCREASED RATES TO EFFECTIVELY CONNECTED INCOME OF NONRESIDENT ALIEN INDIVIDUALS LIMITED TO GAINS ON UNITED STATES REAL PROPERTY INTERESTS.—In the case of any individual to whom subparagraph (A) applies, the tax imposed under section 1 on such individual (after application of subparagraph (A)) shall be reduced (but not below zero) by the excess of—

"(i) the tax which would be imposed under such section (after application of subparagraph (A)) if FIRPTA items were not taken into account, over

"(ii) the tax which would be imposed under such section if FIRPTA items were not taken into account, and subparagraph (A) did not apply.

For purposes of this clause, the term 'FIRPTA items' means gains and losses taken into account under section 871(b)(1) by reason of section 897(a)(1)(A).

"(D) APPLICATION OF INCREASED RATES TO CERTAIN FOREIGN GOVERNMENTS.—In the case of any applicable person described in subsection (b)(1)(A), section 892(a) shall not apply.

"(2) MODIFICATION OF BASE EROSION AND ANTI-ABUSE TAX.—In the case of any corporation described in subsection (b)(1)(E) (applied by substituting 'corporation' for 'foreign corporation')—

"(A) such corporation shall be treated as described in subparagraphs (B) and (C) of section 59A(e)(1) for purposes of determining whether such corporation is an applicable taxpayer,

"(B) section 59A(b)(1) shall be applied by—

"(i) substituting '12.5 percent' for '10 percent' in subparagraph (A), and

"(ii) by treating the amount described in section 59A(b)(1)(B)(ii) as being zero,

"(C) subsections (c)(2)(B), (c)(4)(B)(ii), and (d)(5) of section 59A shall not apply, and

"(D) if any amount (other than the purchase price of depreciable or amortizable property or inventory) would have been a base erosion payment described in section 59A(d)(1)

but for the fact that the taxpayer capitalizes the amount, then solely for purposes of calculating the taxpayer's base erosion payments (within the meaning of section 59A(d)) and base erosion tax benefits (within the meaning of section 59A(c)(2)), such amount shall be treated as if it had been deducted rather than capitalized.

"(3) WITHHOLDING TAXES.—

"(A) IN GENERAL.—In the case of any payment to an applicable person, each rate of tax specified in section 1441(a) or 1442(a) (or any rate of tax applicable in lieu of such statutory rate) shall be increased by the applicable number of percentage points. The preceding sentence shall not apply to the 14 percent rate of tax specified in section 1441(a).

"(B) DISPOSITION OF UNITED STATES REAL PROPERTY INTERESTS.—In the case of any disposition of a United States real property interest (as defined in section 897(c)) by an applicable person, the rate of tax specified in section 1445(a) (or any rate of tax applicable in lieu of such statutory rate) shall be increased by the applicable number of percentage points.

"(C) OTHER DISPOSITIONS AND DISTRIBUTIONS RELATED TO UNITED STATES REAL PROPERTY INTERESTS.—In the case of any disposition or distribution described in any paragraph of section 1445(e), each rate of tax in such paragraph (or any rate of tax applicable in lieu of such statutory rate) shall be increased by the applicable number of percentage points if—

"(i) in the case of section 1445(e)(1), the foreign person referred to in subparagraph (A) or (B) of such section is an applicable person,

"(ii) in the case of section 1445(e)(2), the foreign corporation referred to in such section is an applicable person,

"(iii) in the case of section 1445(e)(3), the foreign shareholder referred to in such section is an applicable person,

"(iv) in the case of section 1445(e)(4), the foreign person referred to in such section is an applicable person,

"(v) in the case of section 1445(e)(5), the Secretary issues regulations or other guidance providing for such increase, and

"(vi) in the case of section 1445(e)(6), the nonresident alien individual or foreign corporation referred to in such section is an applicable person.

"(4) APPLICABLE NUMBER OF PERCENTAGE POINTS.—For purposes of this paragraph—

"(A) IN GENERAL.—The term 'applicable number of percentage points' means, with respect to any discriminatory foreign country—

"(i) with respect to the 1-year period beginning on the applicable date with respect to such foreign country, 5 percentage points, and

"(ii) with respect to any period after the 1-year period to which clause (i) applies, the sum of —

"(I) 5 percentage points, plus

"(II) an additional 5 percentage points for each annual anniversary of such applicable date which has occurred before the beginning of such period.

"(B) CAP ON INCREASE.—Notwithstanding subparagraph (A), the increase in any rate under paragraph (1) or (3) shall not result in such rate exceeding the amount of the statutory rate (determined without regard to any rate applicable in lieu of such statutory rate) increased by 20 percentage points.

"(C) APPLICABLE DATE.—For purposes of this section, the term 'applicable date' means, with respect to any discriminatory foreign country, the first day of the first calendar year beginning on or after the latest of—

"(i) 90 days after the date of enactment of this section,

"(ii) 180 days after the date of enactment of the unfair foreign tax that causes such country to be treated as a discriminatory foreign country, or

"(iii) the first date that an unfair foreign tax of such country begins to apply.

"(D) APPLICATION TO TAXABLE YEARS.—For purposes of paragraph (1), the applicable number of percentage points is the applicable number of percentage points in effect for the discriminatory foreign country during the taxpayer's taxable year. If more than one applicable number of percentage points is in effect for the discriminatory foreign country during the taxpayer's taxable year, the applicable number of percentage points shall be determined by using a weighted average rate based on each applicable number of percentage points in effect during such taxable year and the number of days during which it was in effect. For purposes of the prior sentence, the applicable number of percentage points in effect for the discriminatory foreign country for the period before the applicable date is treated as zero, and, if the taxpayer ceases to be an applicable person during its taxable year, the applicable number of percentage points in effect for the discriminatory foreign country for the period after the taxpayer ceased to be an applicable person is treated as zero.

"(E) APPLICATION TO WITHHOLDING TAXES.—For purposes of paragraph (3), the applicable number of percentage points shall be determined with respect to the date of the payment or disposition, as the case may be.

"(F) MULTIPLE DISCRIMINATORY FOREIGN COUNTRIES.—For purposes of paragraphs (1) and (3), if, on any day, the taxpayer is an applicable person with respect to more than one discriminatory foreign country, the highest applicable number of percentage points in effect shall apply.

"(G) INCREASE NOT APPLICABLE TO NONDISCRIMINATORY FOREIGN COUNTRIES.—In the case of any foreign country

which is not a discriminatory foreign country, the applicable number of percentage points is zero.

"(5) YEARS TO WHICH APPLICABLE.—

"(A) TAXABLE YEAR.—In the case of any person, paragraphs (1) and (2) shall apply to each taxable year beginning—

"(i) after the later of—

"(I) 90 days after the date of enactment of this section,

"(II) 180 days after the date of enactment of the unfair foreign tax that causes such country to be treated as a discriminatory foreign country, or

"(III) the first date that an unfair foreign tax of such country begins to apply, and

"(ii) before the last date on which the discriminatory foreign country imposes an unfair foreign tax.

"(B) WITHHOLDING.—In the case of any person, paragraph (3) shall apply to each calendar year beginning during the period that such person is an applicable person.

"(C) SAFE HARBOR FOR WITHHOLDING.—Paragraph (3) shall not apply—

"(i) in the case of any applicable person to which clause (ii) does not apply, if the discriminatory foreign country with respect to which such person is an applicable person is not listed by the Secretary as a discriminatory foreign country, and

"(ii) in the case of any applicable person described in subparagraph (E) or (F) of subsection (b)(1), if the discriminatory foreign country with respect to which such person is an applicable person (and such country's applicable date) has been listed in such guidance for less than 90 days.

"(D) TEMPORARY SAFE HARBOR FOR WITHHOLDING AGENTS.—No penalties or interest shall be imposed with respect to failures, before January 1, 2027, to deduct or withhold any amounts by reason of paragraph (3) if the person required to deduct or withhold such amounts demonstrates to the satisfaction of the Secretary that such person made best efforts to comply with paragraph (3) in a timely manner.

"(b) APPLICABLE PERSON.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided by the Secretary, the term 'applicable person' means—

"(A) any government (within the meaning of section 892) of any discriminatory foreign country,

"(B) any individual (other than a citizen or resident of the United States) who is tax resident of a discriminatory foreign country,

"(C) any foreign corporation (other than a United States-owned foreign corporation, as defined in section 904(h)(6)) which is a tax resident of a discriminatory foreign country,

"(D) any private foundation (within the meaning of section 4948) created or organized in a discriminatory foreign country,

"(E) any foreign corporation (other than a publicly held corporation) if more than 50 percent of—

"(i) the total combined voting power of all classes of stock of such corporation entitled to vote, or

"(ii) the total value of the stock of such corporation, is owned (within the meaning of section 958(a)) by persons described in this paragraph,

"(F) any trust the majority of the beneficial interests of which are held (directly or indirectly) by persons described in this paragraph, and

"(G) foreign partnerships, branches, and any other entity identified with respect to a discriminatory foreign country by the Secretary for purposes of this subsection.

"(2) CONTINUATION OF TREATMENT DURING CERTAIN PERIODS.—For purposes of this section, if a person would cease to be an applicable person for a period of less than one year, such person shall continue to be treated as an applicable person during such period.

"(c) UNFAIR FOREIGN TAX.—For purposes of this section—

"(1) IN GENERAL.—The term 'unfair foreign tax' means an undertaxed profits rule (UTPR), digital services tax, diverted profits tax, and, to the extent provided by the Secretary, an extraterritorial tax, discriminatory tax, or any other tax enacted with a public or stated purpose indicating the tax will be economically borne, directly or indirectly, disproportionately by United States persons. Such term shall not include any tax which neither applies to—

"(A) any United States person (including a trade or business of a United States person), nor

"(B) any foreign corporation (including a trade or business of such foreign corporation) if the foreign corporation is a controlled foreign corporation and more than 50 percent of the total combined voting power of all classes of stock of such corporation entitled to vote, or the total value of the stock of such corporation) is owned (within the meaning of section 958(a)) by United States persons.

"(2) EXTRATERRITORIAL TAX.—The term 'extraterritorial tax' means any tax imposed by a foreign country on a corporation (including any trade or business of such corporation) which is determined by reference to any income or profits received by any person (including any trade or business of any person) by reason of such person being connected to such corporation through any chain of ownership, determined without regard to the ownership interests of any individual, and other than by reason of such corporation having a direct or indirect ownership interest in such person.

"(3) DISCRIMINATORY TAX.—The term 'discriminatory tax' means any tax imposed by a foreign country if—

"(A) such tax applies more than incidentally to items of income that would not be considered to be from sources, or effectively connected to a trade or business, within the foreign country under the rules of part I of this subchapter if such part were applied by treating such foreign country as though it were the United States,

"(B) such tax is imposed on a base other than net income and is not computed by permitting recovery of costs and expenses,

"(C) such tax is exclusively or predominantly applicable, in practice or by its terms, to nonresident individuals and foreign corporations or partnerships (as determined under rules similar to paragraphs (4) and (5) of section 7701(a) by treating the foreign country as though it were the United States) because of the application of revenue thresholds, exemptions or exclusions for taxpayers subject to such foreign country's corporate income tax, or restrictions of scope that ensure that substantially all residents (other than foreign corporations and partnerships (as so determined)) supplying comparable goods or services are excluded from the application of such tax, or

"(D) such tax is not treated as an income tax under the laws of such foreign country or is otherwise treated by such foreign country as outside the scope of any agreements that are in force between such foreign country and one or more other jurisdictions for the avoidance of double taxation with respect to taxes on income.

"(4) EXCEPTIONS.—Except as otherwise provided by the Secretary, the terms 'extraterritorial tax' and 'discriminatory tax' shall not include any generally applicable tax which constitutes—

"(A) an income tax generally imposed on the income of citizens or residents of the foreign country, even if the computation of income includes payments that would be foreign source income under part I of this subchapter,

"(B) an income tax which would be an unfair foreign tax (determined without regard to this subparagraph) solely because it is imposed on the income of nonresidents attributable to a trade or business in such foreign country,

"(C) an income tax which would be an unfair foreign tax (determined without regard to this subparagraph) solely because it is imposed on citizens or residents of such foreign country by reference to the income of a corporate subsidiary of such person,

"(D) a withholding tax, or other gross basis tax, on any amount described in section 871(a)(1) or 881(a), other than any withholding tax, or other gross basis tax, imposed with respect to services performed by persons other than individuals,

"(E) a value added tax, goods and services tax, sales tax, or other similar tax on consumption,

"(F) a tax imposed with respect to transactions on a per-unit or per-transaction basis rather than on an ad valorem basis,

"(G) a tax on real or personal property, an estate tax, a gift tax, other similar tax,

"(H) a tax which would not be an extraterritorial tax or discriminatory tax (determined without regard to this subparagraph) except by reason of consolidation or loss shar-

ing rules that generally apply only with respect to income of tax residents of the foreign country, or

"(I) any other tax identified by the Secretary for purposes of this paragraph.

"(d) OTHER DEFINITIONS.—For purposes of this section—

"(1) DISCRIMINATORY FOREIGN COUNTRY.—The term 'discriminatory foreign country' means any foreign country which has one or more unfair foreign taxes.

"(2) FOREIGN COUNTRY.—The term 'foreign country' means a foreign country (or political subdivision thereof) or a dependent territory or possession of a foreign country. Such term does not include any possession of the United States.

"(3) TAX.—The term 'tax' includes any increase in tax whether effectuated by an increase in the rate or base of a tax, by a denial of deductions or credits, or otherwise.

"(e) REGULATIONS AND OTHER GUIDANCE.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which—

"(1) provide for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including the application of this section (including subsections (b)(1)(E) and (c)(2)(A)(ii)) with respect to branches, partnerships, and other entities (whether or not otherwise disregarded for purposes of this chapter),

"(2) list the discriminatory foreign countries (and each such country's applicable date) in guidance, and update such guidance on a quarterly basis,

"(3) provide notice to Congress with respect to changes to the list under paragraph (2),

"(4) exercise the authority to provide exceptions under subsections (b)(1), (c)(4), and

"(5) prevent the application of subsection (a)(2)(D) from resulting in double counting of amounts for purposes of section 59A(c)(4)(A)(ii).".

(b) CLERICAL AMENDMENT.—The table of sections for subpart D of part II of subchapter N of chapter 1 is amended by adding at the end the following new item:

"Sec. 899. Enforcement of remedies against unfair foreign taxes.".

SEC. 112030. REDUCTION OF EXCISE TAX ON FIREARMS SILENCERS.

(a) IN GENERAL.—Section 5811(a) is amended to read as follows:

"(a) RATE.—There shall be levied, collected, and paid on firearms transferred a tax at the rate of—

"(1) $5 for each firearm transferred in the case of a weapon classified as any other weapon under section 5845(e),

"(2) $0 for each firearm transferred in the case of a silencer (as defined in section 5845(a)(7)), and

"(3) $200 for any other firearm transferred.".

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

SEC. 112031. MODIFICATIONS TO DE MINIMIS ENTRY PRIVILEGE FOR COMMERCIAL SHIPMENTS.

(a) CIVIL PENALTY.—

(1) ADDITIONAL PENALTY IMPOSED.—Section 321 of the Tariff Act of 1930 (19 U.S.C. 1321) is amended by adding at the end the following new subsection:

"(c) Any person who enters, introduces, facilitates, or attempts to introduce an article into the United States using the privilege of this section, the importation of which violates any other provision of United States law, shall be assessed, in addition to any other penalty permitted by law, a civil penalty of up to $5,000 for the first violation and up to $10,000 for each subsequent violation.".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect 30 days after the date of the enactment of this Act.

(b) REPEAL OF COMMERCIAL SHIPMENT EXCEPTION.—

(1) REPEAL.—Section 321(a)(2)(B) of such Act (19 U.S.C. 1321(a)(2)(B)) is amended by striking "of this Act, or" and all that follows through "subdivision (2); and" and inserting "of this Act; and".

(2) CONFORMING REPEAL.—Subsection (c) of such section 321, as added by subsection (a) of this section, is repealed.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on July 1, 2027.

SEC. 112032. LIMITATION ON DRAWBACK OF TAXES PAID WITH RESPECT TO SUBSTITUTED MERCHANDISE.

Effective for claims filed on or after July 1, 2026, for purposes of drawback of internal revenue tax imposed under chapter 52 of the Internal Revenue Code of 1986, the amount of drawback granted under such Code, or the Tariff Act of 1930, on the export or destruction of substituted merchandise may not exceed the amount of taxes paid (and not returned by refund, credit, or drawback) on the substituted merchandise.

PART 2—REMOVING TAXPAYER BENEFITS FOR ILLEGAL IMMIGRANTS

SEC. 112101. PERMITTING PREMIUM TAX CREDIT ONLY FOR CERTAIN INDIVIDUALS.

(a) IN GENERAL.—Section 36B(e)(1) is amended by inserting "or, in the case of aliens who are lawfully present, are not eligible aliens" after "individuals who are not lawfully present".

(b) ELIGIBLE ALIENS.—Section 36B(e)(2) is amended—

(1) by striking "For purposes of this section, an individual" and inserting the following: "For purposes of this section—

"(A) IN GENERAL.—An individual", and

(2) by adding at the end the following new subparagraph:

"(B) ELIGIBLE ALIENS.—An individual who is an alien and lawfully present shall be treated as an eligible alien if and only if such individual is, and is reasonably expected to be for the entire period of enrollment for which the credit under this section is being claimed—

"(i) an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.),

"(ii) an alien who—

"(I) is a citizen or national of the Republic of Cuba,

"(II) is the beneficiary of an approved petition under section 203(a) of the Immigration and Nationality Act (8 U.S.C. 1153(a)),

"(III) meets all eligibility requirements for an immigrant visa but for whom such a visa is not immediately available,

"(IV) is not otherwise inadmissible under section 212(a) of such Act (8 U.S.C. 1182(a)), and

"(V) is physically present in the United States pursuant to a grant of parole in furtherance of the commitment of the United States to the minimum level of annual legal migration of Cuban nationals to the United States specified in the U.S.-Cuba Joint Communiqué on Migration, done at New York September 9, 1994, and reaffirmed in the Cuba-United States: Joint Statement on Normalization of Migration, Building on the Agreement of September 9, 1994, done at New York May 2, 1995, or

"(iii) an individual who lawfully resides in the United States in accordance with a Compact of Free Association referred to in section 402(b)(2)(G) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(b)(2)(G)).".

(c) CONFORMING AMENDMENTS.—

(1) VERIFICATION OF INFORMATION.—Section 1411 of the Patient Protection and Affordable Care Act (42 U.S.C. 18081) is amended—

(A) in subsection (a)—

(i) in paragraph (1), by striking "and section 36B(e) of the Internal Revenue Code of 1986"; and

(ii) in paragraph (2)—

(I) in subparagraph (A), by striking "and" at the end;

(II) in subparagraph (B), by adding "and" at the end; and

(III) by adding at the end the following new subparagraph:

"(C) in the case such individual is an alien lawfully present in the United States, whether such individual is an eligible alien (within the meaning of section 36B(e)(2) of such Code);";

(B) in subsection (b)(3), by adding at the end the following new subparagraph:

"(D) IMMIGRATION STATUS.—In the case the individual's eligibility is based on an attestation of the enrollee's immigration status, an attestation that such individual is an eligible alien (within the meaning of 36B(e)(2) of the Internal Revenue Code of 1986)."; and

(C) in subsection (c)(2)(B)(ii), by adding at the end the following new subclause:

"(III) In the case of an individual described in clause (i)(I) with respect to whom a premium tax credit or reduced cost-sharing under section 36B of the Internal Revenue Code of 1986 or section 1402 is being claimed, the attestation that the individual is an eligible alien (within the meaning of section 36B(e)(2) of such Code).".

(2) ADVANCE DETERMINATIONS.—Section 1412(d) of the Patient Protection and Affordable Care Act (42 U.S.C. 18082(d)) is amended by inserting before the period at the end the following: "or, in the case of aliens who are lawfully present, are not eligible aliens (within the meaning of section 36B(e)(2) of the Internal Revenue Code of 1986)".

(3) COST-SHARING REDUCTIONS.—Section 1402(e) of the Patient Protection and Affordable Care Act (42 U.S.C. 18071(e)) is amended—

(A) in the header, by inserting "OR NOT ELIGIBLE ALIENS" after "INDIVIDUALS NOT LAWFULLY PRESENT";

(B) in paragraph (1), in the matter preceding subparagraph (A), by inserting "or, in the case of an alien who is lawfully present, is not an eligible alien (within the meaning of section 36B(e)(2) of the Internal Revenue Code of 1986)" after "not lawfully present"; and

(C) by amending paragraph (2) to read as follows:

"(2) ELIGIBLE ALIENS.—For purposes of this section, an individual shall be treated as an eligible alien (within the meaning of section 36B(e)(2) of the Internal Revenue Code of 1986) if, and only if, the individual is, and for the entire period of enrollment for which the cost-sharing reduction under this section is being claimed is reasonably expected to be, such an alien.".

(4) BASIC HEALTH PROGRAMS.—Section 1331(e)(1) of the Patient Protection and Affordable Care Act (42 U.S.C. 18051(e)(1)) is amended by inserting before the period at the end the following: "or, in the case of an alien who is lawfully present, an individual who is not an eligible alien (as defined in section 36B(e)(2) of the Internal Revenue Code of 1986".

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to plan years beginning on or after January 1, 2027.

(d) CLERICAL AMENDMENTS.—

(1) The heading for section 36B(e) is amended by inserting "AND NOT ELIGIBLE ALIENS" after "INDIVIDUALS NOT LAWFULLY PRESENT".

(2) The heading for section 36B(e)(2) is amended by inserting "; ELIGIBLE ALIENS" after "LAWFULLY PRESENT".

(e) REQUIREMENT TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.—Section 5000A(d)(3) is amended by striking "an alien lawfully present in the United States" and inserting "an eligible alien (within the meaning of section 36B(e)(2))".

(f) REGULATIONS.—The Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this section.

(g) EFFECTIVE DATE.—The amendments made by this section (other than the amendments made by subsection (c)) shall apply to taxable years beginning after December 31, 2026.

SEC. 112102. CERTAIN ALIENS TREATED AS INELIGIBLE FOR PREMIUM TAX CREDIT.

(a) IN GENERAL.—Section 36B(e)(2), as amended by the preceding provisions of this Act, is amended by adding at the end the following new subparagraph:

"(C) ELIGIBLE ALIENS.—Notwithstanding subparagraph (B), an individual who is an alien and lawfully present shall be treated as an eligible alien if and only if such individual is not, and is reasonably expected not to be for the entire period of enrollment for which the credit under this section is being claimed—

"(i) an alien granted, or with a pending application for, asylum under section 208 of the Immigration and Nationality Act,

"(ii) an alien granted parole under section 212(d)(5) or 236(a)(2)(B) of the Immigration and Nationality Act,

"(iii) an alien granted temporary protected status under section 244 of the Immigration and Nationality Act,

"(iv) an alien granted deferred action or deferred enforced departure, or

"(v) an alien granted withholding of removal under section 241(b)(3) of the Immigration and Nationality Act.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2026.

SEC. 112103. DISALLOWING PREMIUM TAX CREDIT DURING PERIODS OF MEDICAID INELIGIBILITY DUE TO ALIEN STATUS.

(a) IN GENERAL.—Section 36B(c)(1) is amended by striking subparagraph (B) and by redesignating subparagraphs (C), (D), and (E) as subparagraphs (B), (C), and (D), respectively.

(b) CONFORMING AMENDMENTS.—

(1) Section 36B(g)(4)(A) is amended by striking "subsection (c)(1)(C)" and inserting "subsection (c)(1)(B)".

(2) Section 1331(e)(1)(B) of the Patient Protection and Affordable Care Act (42 U.S.C. 18051(e)(1)(B)) is amended by striking ", or, in the case of" and all that follows through "such alien status".

(3) Section 1402(b) of such Act (42 U.S.C. 18071(b)) is amended by striking the second sentence.

(c) REGULATIONS.—The Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this section.

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

SEC. 112104. LIMITING MEDICARE COVERAGE OF CERTAIN INDIVIDUALS.

Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by adding at the end the following new section:

"SEC. 1899C. LIMITING MEDICARE COVERAGE OF CERTAIN INDIVIDUALS.

"(a) IN GENERAL.—Notwithstanding section 226, section 226A, section 401 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, or any other provision of this title, but subject to subsection (b), an individual may be entitled to, or enrolled for, benefits under this title only if the individual is—

"(1) a citizen or national of the United States;

"(2) an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act;

"(3) an alien who—

"(A) is a citizen or national of the Republic of Cuba;

"(B) is the beneficiary of an approved petition under section 203(a) of the Immigration and Nationality Act;

"(C) meets all eligibility requirements for an immigrant visa but for whom such a visa is not immediately available;

"(D) is not otherwise inadmissible under section 212(a) of such Act; and

"(E) is physically present in the United States pursuant to a grant of parole in furtherance of the commitment of the United States to the minimum level of annual legal migration of Cuban nationals to the United States specified in the U.S.-Cuba Joint Communiqué on Migration, done at New York September 9, 1994, and reaffirmed in the Cuba-United States: Joint Statement on Normalization of Migration, Building on the Agreement of September 9, 1994, done at New York May 2, 1995; or

"(4) an individual who lawfully resides in the United States in accordance with a Compact of Free Association referred to in section 402(b)(2)(G) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

"(b) APPLICATION TO INDIVIDUALS CURRENTLY ENTITLED TO OR ENROLLED FOR BENEFITS.—

"(1) IN GENERAL.—In the case of an individual who is entitled to, or enrolled for, benefits under this title as of the date of the enactment of this section, subsection (a) shall apply beginning on the date that is 1 year after such date of enactment.

"(2) REVIEW BY COMMISSIONER OF SOCIAL SECURITY.—

"(A) IN GENERAL.—Not later than 6 months after the date of the enactment of this section, the Commissioner of Social Security shall complete a review of individuals entitled to, or enrolled for, benefits under this title as of such date of enactment for purposes of identifying individuals not described in any of paragraphs (1) through (4) of subsection (a).

"(B) NOTICE.—The Commissioner of Social Security shall notify each individual identified under the review conducted under subparagraph (A) that such individual's enti-

tlement to, or enrollment for, benefits under this title will be terminated as of the date that is 1 year after the date of the enactment of this section. Such notification shall be made as soon as practicable after such identification and in a manner designed to ensure such individual's comprehension of such notification.".

SEC. 112105. EXCISE TAX ON REMITTANCE TRANSFERS.

(a) IN GENERAL.—Chapter 36 is amended by inserting after subchapter B the following new subchapter:

"Subchapter C—Remittance Transfers

"Sec. 4475. Imposition of tax.

"SEC. 4475. IMPOSITION OF TAX.

"(a) IN GENERAL.—There is hereby imposed on any remittance transfer a tax equal to 5 percent of the amount of such transfer.

"(b) PAYMENT OF TAX.—

"(1) IN GENERAL.—The tax imposed by this section with respect to any remittance transfer shall be paid by the sender with respect to such transfer.

"(2) COLLECTION.—The remittance transfer provider with respect to any remittance transfer shall collect the amount of the tax imposed under subsection (a) with respect to such transfer from the sender and remit such tax quarterly to the Secretary at such time and in such manner as provided by the Secretary.

"(3) SECONDARY LIABILITY.—Where any tax imposed by subsection (a) is not paid at the time the transfer is made, then to the extent that such tax is not collected, such tax shall be paid by the remittance transfer provider.

"(c) EXCEPTION FOR REMITTANCE TRANSFERS SENT BY CITIZENS AND NATIONALS OF THE UNITED STATES THROUGH CERTAIN PROVIDERS.—

"(1) IN GENERAL.—Subsection (a) shall not apply to any remittance transfer with respect to which the remittance transfer provider is a qualified remittance transfer provider and the sender is a verified United States sender.

"(2) QUALIFIED REMITTANCE TRANSFER PROVIDER.—For purposes of this subsection, the term 'qualified remittance transfer provider' means any remittance transfer provider which enters into a written agreement with the Secretary pursuant to which such provider agrees to verify the status of senders as citizens or nationals of the United States in such manner, and in accordance with such procedures, as the Secretary may specify.

"(3) VERIFIED UNITED STATES SENDER.—For purposes of this subsection, the term 'verified United States sender' means any sender who is verified by a qualified remittance transfer provider as being a citizen or national of the United States pursuant to an agreement described in paragraph (2).

"(d) DEFINITIONS.—For purposes of this section, the terms 'remittance transfer', 'remittance transfer provider', 'designated recipient', and 'sender' shall each have the respective meanings given such terms by section 920(g) of the Electronic Fund Transfer Act (15 U.S.C. 1693o-1; relating to "Remittance Transfers").

"(e) APPLICATION OF ANTI-CONDUIT RULES.—For purposes of section 7701(l) with respect to any multiple-party arrangements involving the sender, a remittance transfer shall be treated as a financing transaction.".

(b) REFUNDABLE INCOME TAX CREDIT ALLOWED TO CITIZENS AND NATIONALS OF THE UNITED STATES FOR EXCISE TAX ON REMITTANCE TRANSFERS.—Subpart C of part IV of subchapter A of chapter 1 is amended by inserting after section 36B the following new section:

"SEC. 36C. CREDIT FOR EXCISE TAX ON REMITTANCE TRANSFERS OF CITIZENS AND NATIONALS OF THE UNITED STATES.

"(a) IN GENERAL.—In the case of any individual, there shall be allowed as a credit against the tax imposed by this subtitle for any taxable year an amount equal to the aggregate amount of taxes paid by such individual under section 4475 during such taxable year.

"(b) SOCIAL SECURITY NUMBER REQUIREMENT.—

"(1) IN GENERAL.—No credit shall be allowed under this section unless the taxpayer includes on the return of tax for the taxable year—

"(A) the individual's social security number, and

"(B) if the individual is married, the social security number of such individuals's spouse.

"(2) SOCIAL SECURITY NUMBER.—For purposes of this subsection, the term 'social security number' has the meaning given such term in section 24(h)(7).

"(3) MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this section.

"(c) SUBSTANTIATION REQUIREMENTS.—No credit shall be allowed under this section unless the taxpayer demonstrates to the satisfaction of the Secretary that the tax under section 4475 with respect to which such credit is determined—

"(1) was paid by the taxpayer, and

"(2) is with respect to a remittance transfer with respect to which the taxpayer provided to the remittance transfer provider the certification and information referred to in section 6050AA(a)(2).

"(d) DEFINITIONS.—Any term used in this section which is also used in section 4475 shall have the meaning given such term in section 4475.

"(e) APPLICATION OF ANTI-CONDUIT RULES.—For rules providing for the application of the anti-conduit rules of section 7701(l) to remittance transfers, see section 4475(e).".

(c) REPORTING BY REMITTANCE TRANSFER PROVIDERS.—

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

"SEC. 6050AA. RETURNS RELATING TO REMITTANCE TRANSFERS.

"(a) IN GENERAL.—Each remittance transfer provider shall make a return at such time as the Secretary may provide setting forth—

"(1) in the case of a qualified remittance transfer provider with respect to remittance transfers to which section 4475(a)

does not apply by reason of section 4475(c), the aggregate number and value of such transfers,

"(2) in the case of any remittance transfer not described in paragraph (1) and with respect to which the sender certifies to the remittance transfer provider an intent to claim the credit under section 36C and provides the information described in paragraph (1)—

"(A) the name, address, and social security number of the sender,

"(B) the amount of tax paid by the sender under section 4475(b)(1), and

"(C) the amount of tax remitted by the remittance transfer provider under section 4475(b)(2), and

"(3) in the case of any remittance transfer not included under paragraph (1) or (2)—

"(A) the aggregate amount of tax paid under section 4475(b)(1) with respect to such transfers, and

"(B) the aggregate amount of tax remitted under section 4475(b)(2) with respect to such transfers.

"(b) STATEMENT TO BE FURNISHED TO NAMED PERSONS.—Every person required to make a return under subsection (a) shall furnish, at such time as the Secretary may provide, to each person whose name is required to be set forth in such return a written statement showing—

"(1) the name and address of the information contact of the required reporting person, and

"(2) the information described in subsection (a)(2) which relates to such person.

"(c) DEFINITIONS.—Any term used in this section which is also used in section 4475 shall have the meaning given such term in such section.".

(2) PENALTIES.—Section 6724(d), as amended by the preceding provisions of this Act, is amended—

(A) in paragraph (1)(B), by striking "or" at the end of clause (xxvii), by striking "and" at the end of clause (xxviii) and inserting "or", and by adding at the end the following new clause:

"(xxix) section 6050AA(a) (relating to returns relating to remittance transfers), and", and

(B) in paragraph (2), by striking "or" at the end of subparagraph (MM), by striking the period at the end of subparagraph (NN) and inserting ", or", and by inserting after subparagraph (NN) the following new subparagraph:

"(OO) section 6050AA(b) (relating to statements relating to remittance transfers).".

(d) CONFORMING AMENDMENTS.—

(1) Section 6211(b)(4)(A) is amended by inserting "36C," after "36B,".

(2) Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (Z), by the striking the period at the end of subparagraph (AA) and inserting ", and", and by inserting after subparagraph (AA) the following new subparagraph:

"(BB) an omission of a correct social security number under section 36C(b) to be included on a return.".

(3) Section 1324(b)(2) of title 31, United States Code, is amended by inserting "36C," after "36B,".

(4) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 36B the following new item:

"Sec. 36C. Credit for excise tax on remittance transfers of citizens and nationals of the United States.".

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

"Sec. 6050AA. Returns relating to remittance transfers.".

(6) The table of subchapters for chapter 36 is amended by inserting after the item relating to subchapter B the following new item:

"SUBCHAPTER C—REMITTANCE TRANSFERS".

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to transfers made after December 31, 2025.

(2) TAX CREDIT.—The amendments made by subsection (b), and paragraphs (1) through (4) of subsection (d), shall apply to taxable years ending after December 31, 2025.

SEC. 112106. SOCIAL SECURITY NUMBER REQUIREMENT FOR AMERICAN OPPORTUNITY AND LIFETIME LEARNING CREDITS.

(a) SOCIAL SECURITY NUMBER OF TAXPAYER REQUIRED.—Section 25A(g)(1) is amended to read as follows:

"(1) IDENTIFICATION REQUIREMENT.—

"(A) SOCIAL SECURITY NUMBER REQUIREMENT.—No credit shall be allowed under subsection (a) to a taxpayer unless the taxpayer includes on the return of tax for the taxable year—

"(i) such individual's social security number,

"(ii) if the individual is married, the social security number of such individual's spouse, and

"(iii) in the case of a credit with respect to the qualified tuition and related expenses of an individual other than the taxpayer or the taxpayer's spouse, the name and social security number of such individual.

"(B) INSTITUTION.—No American Opportunity Tax Credit shall be allowed under this section unless the taxpayer includes the employer identification number of any institution to which the taxpayer paid qualified tuition and related expenses taken into account under this section on the return of tax for the taxable year.

"(C) SOCIAL SECURITY NUMBER DEFINED.—For purposes of this paragraph, the term 'social security number' shall have the meaning given such term in section 24(h)(7).".

(b) RULES RELATED TO MARRIED INDIVIDUALS.—Section 25A(g)(6) is amended to read as follows:

"(6) RULES RELATED TO MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this section.".

(c) OMISSION TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2)(J) is amended by striking "TIN" and inserting "social security number or employer identification number".

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

PART 3—PREVENTING FRAUD, WASTE, AND ABUSE

SEC. 112201. REQUIRING EXCHANGE VERIFICATION OF ELIGIBILITY FOR HEALTH PLAN.

(a) IN GENERAL.—Section 36B(c) is amended by adding at the end the following new paragraphs:

"(5) EXCHANGE ENROLLMENT VERIFICATION REQUIREMENT.—

"(A) IN GENERAL.—The term 'coverage month' shall not include, with respect to any individual covered by a qualified health plan enrolled in through an Exchange, any month beginning before the Exchange verifies, using applicable enrollment information that shall be provided or verified by the applicant, such individual's eligibility—

"(i) to enroll in the plan through the Exchange,

"(ii) for any advance payment under section 1412 of the Patient Protection and Affordable Care Act of the credit allowed under this section, and

"(iii) for any reduced cost-sharing under section 1402 of such Act.

"(B) APPLICABLE ENROLLMENT INFORMATION.—For purposes of subparagraph (A), applicable enrollment information shall at least include affirmation of the following information (to the extent relevant in determining eligibility described in subparagraph (A)):

"(i) Income.

"(ii) Any immigration status.

"(iii) Any health coverage status or eligibility for coverage.

"(iv) Place of residence.

"(v) Family size.

"(vi) Such other information as may be determined by the Secretary (in consultation with the Secretary of Health and Human Services) as necessary to the verification prescribed under subparagraph (A).

"(C) VERIFICATION OF PAST MONTHS.—In the case of a month that begins before verification prescribed by subparagraph (A), such month shall be treated as a coverage month if, and only if, the Exchange verifies for such month (using applicable enrollment information that shall be provided or verified by the applicant) such individual's eligibility to have so enrolled, for any such advance payment, and for any such reduced cost-sharing.

"(D) EXCHANGE PARTICIPATION; COORDINATION WITH OTHER PROCEDURES FOR DETERMINING ELIGIBILITY.—An individual shall not, solely by reason of failing to meet the requirements of this paragraph with respect to a month,

be treated for such month as ineligible to enroll in a qualified health plan through an Exchange.

"(6) EXCHANGE COMPLIANCE WITH FILING REQUIREMENTS.—The term 'coverage month' shall not include, with respect to any individual covered by a qualified health plan enrolled in through an Exchange, any month for which the Exchange does not meet the requirements of section 155.305(f)(4) of title 45, Code of Federal Regulations (as published in the Federal Register on March 19, 2025 (90 FR 12942)), with respect to the individual.".

(b) PRE-ENROLLMENT VERIFICATION PROCESS REQUIRED.—Section 36B(c)(3)(A) is amended—

(1) by striking "HEALTH PLAN.—The term" and inserting the following: "HEALTH PLAN.—

"(i) IN GENERAL.—The term", and

(2) by adding at the end the following new clause:

"(ii) PRE-ENROLLMENT VERIFICATION PROCESS REQUIRED.—Such term shall not include any plan enrolled in through an Exchange, unless such Exchange provides a process for pre-enrollment verification through which any applicant may, beginning not later than August 1, verify with the Exchange the applicant's eligibility for enrollment in such plan for plan years beginning in the subsequent year, for any advance payment of the credit allowed under this section, and for reduced cost-sharing under section 1402 of the Patient Protection and Affordable Care Act.".

(c) REGULATIONS.—The Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this section.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2027.

SEC. 112202. DISALLOWING PREMIUM TAX CREDIT IN CASE OF CERTAIN COVERAGE ENROLLED IN DURING SPECIAL ENROLLMENT PERIOD.

(a) IN GENERAL.—Section 36B(c)(3)(A), as amended by the preceding provisions of this Act, is amended by adding at the end the following new clause:

"(iii) EXCEPTION IN CASE OF CERTAIN SPECIAL ENROLLMENT PERIODS.—Such term shall not include any plan enrolled in during a special enrollment period provided for by an Exchange—

"(I) on the basis of the relationship of the individual's expected household income to such a percentage of the poverty line (or such other amount) as is prescribed by the Secretary of Health and Human Services for purposes of such period, and

"(II) not in connection with the occurrence of an event or change in circumstances specified by the Secretary of Health and Human Services for such purposes.".

(b) REGULATIONS.—The Secretary of Treasury and the Secretary of Health and Human Services shall prescribe such rules (including

interim final and temporary regulations) and other guidance as may be necessary to carry out the purposes of the amendments made by this section.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to plans enrolled in during calendar months beginning after the third calendar month ending after the date of the enactment of this Act.

SEC. 112203. ELIMINATING LIMITATION ON RECAPTURE OF ADVANCE PAYMENT OF PREMIUM TAX CREDIT.

(a) IN GENERAL.—Section 36B(f)(2) is amended by striking subparagraph (B).

(b) CONFORMING AMENDMENTS.—

(1) Section 36B(f)(2) is amended by striking "ADVANCE PAYMENTS.—" and all that follows through "If the advance payments" and inserting the following: "ADVANCE PAYMENTS.—If the advance payments".

(2) Section 35(g)(12)(B)(ii) is amended by striking "then section 36B(f)(2)(B) shall be applied by substituting the amount determined under clause (i) for the amount determined under section 36B(f)(2)(A)" and inserting "then the amount determined under clause (i) shall be substituted for the amount determined under section 36B(f)(2)".

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

SEC. 112204. IMPLEMENTING ARTIFICIAL INTELLIGENCE TOOLS FOR PURPOSES OF REDUCING AND RECOUPING IMPROPER PAYMENTS UNDER MEDICARE.

(a) IN GENERAL.—Part E of title XVIII of the Social Security Act (42 U.S.C. 1395x et seq.), as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

"SEC. 1899D. IMPLEMENTING ARTIFICIAL INTELLIGENCE TOOLS FOR PURPOSES OF REDUCING AND RECOUPING IMPROPER PAYMENTS.

"(a) IN GENERAL.—Not later than January 1, 2027, the Secretary shall implement such artificial intelligence tools determined appropriate by the Secretary for purposes of—

"(1) reducing improper payments made under parts A and B; and

"(2) identifying any such improper payments so made.

"(b) CONTRACTS.—The Secretary shall seek to contract with a vendor of artificial intelligence tools and with data scientists for purposes of implementing the artificial intelligence tools required under subsection (a).

"(c) RECOUPMENT.—The Secretary shall, to the extent practicable, recoup payments identified using the artificial intelligence tools implemented under subsection (a).

"(d) REPORT.—Not later than January 1, 2029, and not less frequently than annually thereafter, the Secretary shall report to Congress on the implementation of artificial intelligence tools under subsection (a) and the recoupment of improper payments under subsection (c). Such report shall include—

"(1) a description of any opportunities for further reducing rates of improper payments described in subsection (a)(1) or further increasing rates of recoupment of such payments;

"(2) the total dollar amount of improper payments recouped in the most recent year for which data is available; and

"(3) in the case that the Secretary fails to reduce the rate of improper payments by 50 percent in such most recent year as compared to the year prior to such most recent year, a description of the reasons for such failure.".

(b) IMPLEMENTATION FUNDING.—

(1) FEDERAL HOSPITAL INSURANCE TRUST FUND.—The Secretary of Health and Human Services shall provide for the transfer from the Federal Hospital Insurance Trust Fund established under section 1817 of the Social Security Act (42 U.S.C. 1395i) to the Centers for Medicare & Medicaid Services Program Management Account of $12,500,000 for fiscal year 2025 for purposes of carrying out the amendment made by this section, to remain available until expended.

(2) FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND.—The Secretary of Health and Human Services shall provide for the transfer, from the Federal Supplementary Medical Insurance Trust Fund established under section 1841 of the Social Security Act (42 U.S.C. 1395t) to the Centers for Medicare & Medicaid Services Program Management Account of $12,500,000 for fiscal year 2025 for purposes of carrying out the amendment made by this section, to remain available until expended.

SEC. 112205. ENFORCEMENT PROVISIONS WITH RESPECT TO COVID-RELATED EMPLOYEE RETENTION CREDITS.

(a) INCREASE IN ASSESSABLE PENALTY ON COVID–ERTC PROMOTERS FOR AIDING AND ABETTING UNDERSTATEMENTS OF TAX LIABILITY.—

(1) IN GENERAL.—If any COVID–ERTC promoter is subject to penalty under section 6701(a) of the Internal Revenue Code of 1986 with respect to any COVID–ERTC document, notwithstanding paragraphs (1) and (2) of section 6701(b) of such Code, the amount of the penalty imposed under such section 6701(a) shall be the greater of—

(A) $200,000 ($10,000, in the case of a natural person), or

(B) 75 percent of the gross income derived (or to be derived) by such promoter with respect to the aid, assistance, or advice referred to in section 6701(a)(1) of such Code with respect to such document.

(2) NO INFERENCE.—Paragraph (1) shall not be construed to create any inference with respect to the proper application of the knowledge requirement of section 6701(a)(3) of the Internal Revenue Code of 1986.

(b) FAILURE TO COMPLY WITH DUE DILIGENCE REQUIREMENTS TREATED AS KNOWLEDGE FOR PURPOSES OF ASSESSABLE PENALTY FOR AIDING AND ABETTING UNDERSTATEMENT OF TAX LIABILITY.—In the case of any COVID–ERTC promoter, the knowledge requirement of section 6701(a)(3) of the Internal Revenue Code of 1986 shall be treated as satisfied with respect to any COVID–ERTC doc-

ument with respect to which such promoter provided aid, assistance, or advice, if such promoter fails to comply with the due diligence requirements referred to in subsection (c)(1).

(c) ASSESSABLE PENALTY FOR FAILURE TO COMPLY WITH DUE DILIGENCE REQUIREMENTS.—

(1) IN GENERAL.—Any COVID–ERTC promoter which provides aid, assistance, or advice with respect to any COVID–ERTC document and which fails to comply with due diligence requirements imposed by the Secretary with respect to determining eligibility for, or the amount of, any COVID-related employee retention tax credit, shall pay a penalty of $1,000 for each such failure.

(2) DUE DILIGENCE REQUIREMENTS.—Except as otherwise provided by the Secretary, the due diligence requirements referred to in paragraph (1) shall be similar to the due diligence requirements imposed under section 6695(g) of the Internal Revenue Code of 1986.

(3) RESTRICTION TO DOCUMENTS USED IN CONNECTION WITH RETURNS OR CLAIMS FOR REFUND.—Paragraph (1) shall not apply with respect to any COVID–ERTC document unless such document constitutes, or relates to, a return or claim for refund.

(4) TREATMENT AS ASSESSABLE PENALTY, ETC.—For purposes of the Internal Revenue Code of 1986, the penalty imposed under paragraph (1) shall be treated in the same manner as a penalty imposed under section 6695(g) of such Code.

(5) SECRETARY.—For purposes of this subsection, the term "Secretary" means the Secretary of the Treasury or the Secretary's delegate.

(d) ASSESSABLE PENALTIES FOR FAILURE TO DISCLOSE INFORMATION, MAINTAIN CLIENT LISTS, ETC.—For purposes of sections 6111, 6112, 6707 and 6708 of the Internal Revenue Code of 1986—

(1) any COVID-related employee retention tax credit (whether or not the taxpayer claims such COVID-related employee retention tax credit) shall be treated as a listed transaction (and as a reportable transaction) with respect to any COVID–ERTC promoter if such promoter provides any aid, assistance, or advice with respect to any COVID–ERTC document relating to such COVID-related employee retention tax credit, and

(2) such COVID–ERTC promoter shall be treated as a material advisor with respect to such transaction.

(e) COVID–ERTC PROMOTER.—For purposes of this section—

(1) IN GENERAL.—The term "COVID–ERTC promoter" means, with respect to any COVID–ERTC document, any person which provides aid, assistance, or advice with respect to such document if—

(A) such person charges or receives a fee for such aid, assistance, or advice which is based on the amount of the refund or credit with respect to such document and, with respect to such person's taxable year in which such person provided such assistance or the preceding taxable year, the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID-ERTC documents ex-

ceeds 20 percent of the gross receipts of such person for such taxable year, or

(B) with respect to such person's taxable year in which such person provided such assistance or the preceding taxable year—

(i) the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID–ERTC documents exceeds 50 percent of the gross receipts of such person for such taxable year, or

(ii) both—

(I) such aggregate gross receipts exceeds 20 percent of the gross receipts of such person for such taxable year, and

(II) the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID–ERTC documents (determined after application of paragraph (3)) exceeds $500,000.

(2) EXCEPTION FOR CERTIFIED PROFESSIONAL EMPLOYER ORGANIZATIONS.—The term "COVID–ERTC promoter" shall not include a certified professional employer organization (as defined in section 7705 of the Internal Revenue Code of 1986).

(3) AGGREGATION RULE.—For purposes of paragraph (1)(B)(ii)(II), all persons treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986, or subsection (m) or (o) of section 414 of such Code, shall be treated as 1 person.

(4) SHORT TAXABLE YEARS.—In the case of any taxable year of less than 12 months, paragraph (1) shall be applied with respect to the calendar year in which such taxable year begins (in addition to applying to such taxable year).

(f) COVID–ERTC DOCUMENT.—For purposes of this section, the term "COVID–ERTC document" means any return, affidavit, claim, or other document related to any COVID-related employee retention tax credit, including any document related to eligibility for, or the calculation or determination of any amount directly related to any COVID-related employee retention tax credit.

(g) COVID-RELATED EMPLOYEE RETENTION TAX CREDIT.—For purposes of this section, the term "COVID-related employee retention tax credit" means—

(1) any credit, or advance payment, under section 3134 of the Internal Revenue Code of 1986, and

(2) any credit, or advance payment, under section 2301 of the CARES Act.

(h) LIMITATION ON CREDIT AND REFUND OF COVID-RELATED EMPLOYEE RETENTION TAX CREDITS.—Notwithstanding section 6511 of the Internal Revenue Code of 1986 or any other provision of law, no credit or refund of any COVID-related employee retention tax credit shall be allowed or made after the date of the enactment of this Act, unless a claim for such credit or refund is filed by the taxpayer on or before January 31, 2024.

(i) AMENDMENTS TO EXTEND LIMITATION ON ASSESSMENT.—

(1) IN GENERAL.—Section 3134(l) is amended to read as follows:

"(l) EXTENSION OF LIMITATION ON ASSESSMENT.—

"(1) IN GENERAL.—Notwithstanding section 6501, the limitation on the time period for the assessment of any amount attributable to a credit claimed under this section shall not expire before the date that is 6 years after the latest of—

"(A) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed,

"(B) the date on which such return is treated as filed under section 6501(b)(2), or

"(C) the date on which the claim for credit or refund with respect to such credit is made.

"(2) DEDUCTION FOR WAGES TAKEN INTO ACCOUNT IN DETERMINING IMPROPERLY CLAIMED CREDIT.—

"(A) IN GENERAL.—Notwithstanding section 6511, in the case of an assessment attributable to a credit claimed under this section, the limitation on the time period for credit or refund of any amount attributable to a deduction for improperly claimed ERTC wages shall not expire before the time period for such assessment expires under paragraph (1).

"(B) IMPROPERLY CLAIMED ERTC WAGES.—For purposes of this paragraph, the term 'improperly claimed ERTC wages' means, with respect to an assessment attributable to a credit claimed under this section, the wages with respect to which a deduction would not have been allowed if the portion of the credit to which such assessment relates had been properly claimed.".

(2) APPLICATION TO CARES ACT CREDIT.—Section 2301 of the CARES Act is amended by adding at the end the following new subsection:

"(o) EXTENSION OF LIMITATION ON ASSESSMENT.—

"(1) IN GENERAL.—Notwithstanding section 6501 of the Internal Revenue Code of 1986, the limitation on the time period for the assessment of any amount attributable to a credit claimed under this section shall not expire before the date that is 6 years after the latest of—

"(A) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed,

"(B) the date on which such return is treated as filed under section 6501(b)(2) of such Code, or

"(C) the date on which the claim for credit or refund with respect to such credit is made.

"(2) DEDUCTION FOR WAGES TAKEN INTO ACCOUNT IN DETERMINING IMPROPERLY CLAIMED CREDIT.—

"(A) IN GENERAL.—Notwithstanding section 6511 of such Code, in the case of an assessment attributable to a credit claimed under this section, the limitation on the time period for credit or refund of any amount attributable to a deduction for improperly claimed ERTC wages shall not expire before the time period for such assessment expires under paragraph (1).

"(B) IMPROPERLY CLAIMED ERTC WAGES.—For purposes of this paragraph, the term 'improperly claimed ERTC wages'

means, with respect to an assessment attributable to a credit claimed under this section, the wages with respect to which a deduction would not have been allowed if the portion of the credit to which such assessment relates had been properly claimed.".

(j) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the provisions of this section shall apply to aid, assistance, and advice provided after March 12, 2020.

(2) DUE DILIGENCE REQUIREMENTS.—Subsections (b) and (c) shall apply to aid, assistance, and advice provided after the date of the enactment of this Act.

(3) LIMITATION ON CREDIT AND REFUND OF COVID-RELATED EMPLOYEE RETENTION TAX CREDITS.—Subsection (h) shall apply to credits and refunds allowed or made after the date of the enactment of this Act.

(4) AMENDMENTS TO EXTEND LIMITATION ON ASSESSMENT.—The amendments made by subsection (i) shall apply to assessments made after the date of the enactment of this Act.

(k) TRANSITION RULE WITH RESPECT TO REQUIREMENTS TO DISCLOSE INFORMATION, MAINTAIN CLIENT LISTS, ETC.—Any return under section 6111 of the Internal Revenue Code of 1986, or list under section 6112 of such Code, required by reason of subsection (d) of this section to be filed or maintained, respectively, with respect to any aid, assistance, or advice provided by a COVID–ERTC promoter with respect to a COVID–ERTC document before the date of the enactment of this Act, shall not be required to be so filed or maintained (with respect to such aid, assistance or advice) before the date which is 90 days after the date of the enactment of this Act.

(l) PROVISIONS NOT TO BE CONSTRUED TO CREATE NEGATIVE INFERENCES.—

(1) NO INFERENCE WITH RESPECT TO APPLICATION OF KNOWLEDGE REQUIREMENT TO PRE-ENACTMENT CONDUCT OF COVID-ERTC PROMOTERS, ETC.—Subsection (b) shall not be construed to create any inference with respect to the proper application of section 6701(a)(3) of the Internal Revenue Code of 1986 with respect to any aid, assistance, or advice provided by any COVID-ERTC promoter on or before the date of the enactment of this Act (or with respect to any other aid, assistance, or advice to which such subsection does not apply).

(2) REQUIREMENTS TO DISCLOSE INFORMATION, MAINTAIN CLIENT LISTS, ETC.—Subsections (d) and (k) shall not be construed to create any inference with respect to whether any COVID-related employee retention tax credit is (without regard to subsection (d)) a listed transaction (or reportable transaction) with respect to any COVID–ERTC promoter; and, for purposes of subsection (k), a return or list shall not be treated as required (with respect to such aid, assistance, or advice) by reason of subsection (d) if such return or list would be so required without regard to subsection (d).

(m) REGULATIONS.—The Secretary (as defined in subsection (c)(5)) shall issue such regulations or other guidance as may be nec-

essary or appropriate to carry out the purposes of this section (and the amendments made by this section).

SEC. 112206. EARNED INCOME TAX CREDIT REFORMS.

(a) EARNED INCOME TAX CREDIT CERTIFICATION PROGRAM.—

(1) ESTABLISHMENT OF PROGRAM.—

(A) IN GENERAL.—Chapter 77 is amended by adding at the end the following new section:

"SEC. 7531. EARNED INCOME TAX CREDIT CERTIFICATION PROGRAM.

"(a) IN GENERAL.—To avoid duplicative and other erroneous claims under section 32 with respect to a child of the taxpayer, for taxable years beginning after December 31, 2027, the Secretary shall establish a program under which, on the taxpayer's application with respect to the child, the Secretary shall issue an EITC certificate for purposes of section 32 establishing such child's status as a qualifying child only of the taxpayer for a taxable year.

"(b) APPLICATION REQUIREMENTS.—

"(1) IN GENERAL.—The Secretary shall not issue to a taxpayer an EITC certificate with respect to a child for a taxable year unless the taxpayer applies under the program with respect to the child and provides such information and supporting documentation as the Secretary shall by regulation prescribe as necessary to establish such child as a qualifying child only of the taxpayer for the taxable year.

"(2) TIME AND MANNER OF APPLICATION.—Such application shall be made, and such information and supporting documentation shall be provided—

"(A) in such manner as may be provided by the Secretary for purposes of this section (including establishing an on-line portal), and

"(B) not later than the due date for the return of tax for the taxable year or (if later) when the return is filed.

"(3) COMPETING CLAIMS.—In the case of more than 1 taxpayer making an application with respect to a child under the program for a taxable year beginning during a calendar year, the Secretary shall not issue an EITC certificate to any such taxpayer with respect to such child for such a taxable year unless the Secretary can establish such child, based on information and supporting documentation provided under paragraph (1), as the qualifying child only of one such taxpayer for such a taxable year.

"(c) TREATMENT OF CREDIT WITHOUT CERTIFICATION UNDER PROGRAM.—For taxable years beginning after December 31, 2027—

"(1) IN GENERAL.—In the case of a taxpayer who takes into account as a qualifying child under section 32 a child for whom an EITC certificate has not been issued for the taxable year to the taxpayer—

"(A) the Secretary shall not credit the portion of any overpayment for such taxable year that is attributable to the taxpayer taking into account such child as a qualifying child, unless the taxpayer obtains, not later than the due date for the return for the taxable year, an EITC certificate with respect to such child for such taxable year, and

"(B) if the taxpayer fails to so obtain an EITC certificate, such failure shall be treated—

"(i) as an omission of information required by section 32 with respect to such child, and

"(ii) as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

"(2) TERMINATION OF CERTIFICATION.—In the case of a taxpayer who for a taxable year takes into account as a qualifying child under section 32 a child for whom an EITC certificate is terminated for such taxable year, such termination shall be treated in the same manner as a failure to obtain an EITC certificate under paragraph (1)(B).

"(d) TRANSITION RULES FOR TAXABLE YEARS BEGINNING BEFORE 2028.—

"(1) IN GENERAL.—If for any taxable year beginning after December 31, 2023, and before January 1, 2027, more than 1 taxpayer makes a claim for credit under section 32 taking into account the same child as a qualifying child, then the Secretary shall send notice to each such taxpayer (by certified or registered mail to the last known address of the taxpayer) detailing the resultant treatment of such taxpayers under paragraph (2) with respect to such child for any subsequent taxable years beginning before 2028.

"(2) SUBSEQUENT TAXABLE YEARS BEGINNING BEFORE 2028.—In the case of a child with respect to whom paragraph (1) applied by reason of claims for credit for a taxable year, for any subsequent taxable years beginning before January 1, 2028—

"(A) subject to subparagraph (B), the Secretary shall not credit the portion of any overpayment for the taxable year that is attributable to a taxpayer taking into account such child as a qualifying child under section 32 until the 15th day of October following the end of the taxable year, and

"(B) if more than one taxpayer makes a claim for such credit for the taxable year taking into account such child as a qualifying child, so taking such child into account shall be treated—

"(i) as an omission of information required by section 32 with respect to such child, and

"(ii) as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

"(e) QUALIFYING CHILD.—For purposes of this section, the term 'qualifying child' has the meaning given such term under section 32(c)(3).

"(f) REBUTTAL OF TREATMENT.—Treatment under subsection (c) or (d)(2)(B) as having omitted information required by section 32 may be rebutted by providing such information and supporting documentation as satisfactorily demonstrates the child is a qualifying child of the taxpayer for the taxable year.

"(g) RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY USE PROGRAM.—

"(1) IN GENERAL.—A taxpayer shall not be permitted to apply for an EITC certificate under the program for any taxable year in the disallowance period.

"(2) DISALLOWANCE PERIOD.—For purposes of paragraph (1), the disallowance period is—

"(A) the period of 10 taxable years after the most recent taxable year for which there was a penalty imposed under 6720D on the taxpayer (but only if such penalty has been imposed on such taxpayer more than once, at least one instance of which was due to fraud under section 6720D(b)),

"(B) the period of 2 taxable years after the most recent taxable year for which there was a penalty imposed under 6720D on the taxpayer (but only if such penalty has been imposed on such taxpayer more than once due to reckless or intentional disregard of rules and regulations (but not imposed due to fraud)), and

"(C) any disallowance period with respect to the taxpayer under section 32(k)(1).

"(h) REGULATIONS.—The Secretary shall prescribe such rules as may be necessary or appropriate to carry out the program and purposes of this section, including—

"(1) a process for establishing alternating taxable year treatment of a child as a qualifying child under a custodial arrangement,

"(2) notwithstanding subsection (d)(2), a process for—

"(A) establishing the status of a child as a qualifying child of the taxpayer under section 32 for taxable years to which such subsection applies, and

"(B) allowing credit or refunds attributable to such status,

"(3) a simplified process for re-certifying a child as a qualifying child only of the taxpayer for a taxable year, and

"(4) a process for terminating EITC certificates in the case of competing claims with respect to a child or in cases in which issuance of the certificate is determined by the Secretary to be erroneous.".

(B) CONFORMING AMENDMENT.—Section 32 amended by adding at the end the following new subsection:

"(o) EITC CERTIFICATE WITH RESPECT TO QUALIFYING CHILDREN.—For rules relating to EITC certificates with respect to qualifying children and duplicate claims for the credit allowed under this section, see section 7531.".

(C) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by adding at the end the following new item:

"Sec. 7531. Earned income tax credit certification program.".

(2) PENALTIES FOR IMPROPER USE OF EITC CERTIFICATE PROGRAM.—

(A) IN GENERAL.—Part I of subchapter B of chapter 68 is amended by adding at the end the following new section:

"SEC. 6720D. PENALTIES WITH RESPECT TO EITC CERTIFICATE PROGRAM.

"(a) RECKLESS OR INTENTIONAL DISREGARD.—If—

"(1) any person makes a material misstatement or inaccurate representation in an application under section 7531 for an EITC certificate, and

"(2) such misstatement or representation was due to reckless or intentional disregard of rules and regulations (but not due to fraud),

such person shall pay a penalty of $100 for each EITC certificate with respect to which such misstatement or representation was made.

"(b) FRAUD.—If a misstatement or representation described in subsection (a)(1) is due to fraud on the part of the person making such misstatement or representation, in addition to any criminal penalty, such person shall pay a penalty of $500 for each EITC certificate with respect to which such a misstatement or representation was made.".

(B) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by adding at the end the following new item:

"Sec. 6720D. Penalties with respect to EITC certificate program.".

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

(b) TASK FORCE TO DESIGN A PRIVATE DATA BOUNCING SYSTEM FOR IMPROVEMENTS TO THE EARNED INCOME TAX CREDIT.—Out of any money in the Treasury not otherwise appropriated, there is hereby appropriated $10,000,000 for the fiscal year ending on September 30, 2026, for necessary expenses of the Department of the Treasury, to establish, within 90 days following the date of the enactment of this Act, a task force to provide to the Secretary of the Treasury a report on the following with respect to the administration of the earned income tax credit:

(1) Recommendations for improvement of the integrity of such administration.

(2) The potential use of third-party payroll and consumption datasets to verify income.

(3) The integration of automated databases to allow horizontal verification to reduce improper payments, fraud, and abuse.

(c) INCREASED EARNED INCOME TAX CREDIT FOR PURPLE HEART RECIPIENTS WHOSE SOCIAL SECURITY DISABILITY BENEFITS ARE TERMINATED BY REASON OF WORK ACTIVITY.—

(1) IN GENERAL.—Section 32, as amended by the preceding provisions of this Act, is amended by adding at the end the following new subsection:

"(p) INCREASE IN CREDIT FOR PURPLE HEART RECIPIENTS WHOSE SOCIAL SECURITY DISABILITY BENEFITS ARE TERMINATED BY REASON OF WORK ACTIVITY.—

"(1) IN GENERAL.—In the case of a specified Purple Heart recipient, the credit otherwise determined under subsection (a) for the taxable year shall be increased (whether or not such specified Purple Heart recipient is an eligible individual) by the sum of the SSDI benefit substitution amounts with respect to qualified benefit termination months during such taxable year.

"(2) SPECIFIED PURPLE HEART RECIPIENT.—For purposes of this subsection, the term 'specified Purple Heart recipient' means any individual—

"(A) who received the Purple Heart,

"(B) who received disability insurance benefit payments under section 223(a) of the Social Security Act, and

"(C) with respect to whom such disability insurance benefit payments ceased to be payable by reason of section 223(e)(1) of such Act.

"(3) QUALIFIED BENEFIT TERMINATION MONTH.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified benefit termination month' means, with respect to any specified Purple Heart recipient, each month during the 12-month period beginning with the first month with respect to which disability insurance benefit payments described in paragraph (2)(B) ceased to be payable as described in paragraph (2)(C).

"(B) EXCEPTION FOR MONTHS FOR WHICH BENEFITS ARE REINSTATED, ETC.—Such term shall not include any month if the specified Purple Heart recipient receives any benefit payment under section 223(a) of the Social Security Act with respect to such month.

"(4) SSDI BENEFIT SUBSTITUTION AMOUNT.—For purposes of this subsection, the term 'SSDI benefit substitution amount' means, with respect to specified Purple Heart recipient for any qualified benefit termination month, an amount equal to the disability insurance benefit payment received by such recipient under section 223(a) of the Social Security Act for the month immediately preceding the 12-month period described in paragraph (3)(A).

"(5) CERTAIN EITC LIMITATIONS NOT APPLICABLE.—Subsections (a)(2), (d), (e), (f), and (i) shall not apply with respect to the increase under paragraph (1).".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 112207. TASK FORCE ON THE TERMINATION OF DIRECT FILE.

(a) TERMINATION OF DIRECT FILE.—As soon as practicable, and not later than 30 days after the date of the enactment of this Act, the Secretary of the Treasury shall ensure that the Internal Revenue Service Direct File program has been terminated.

(b) APPROPRIATION FOR TASK FORCE TO DESIGN A BETTER PUBLIC-PRIVATE PARTNERSHIP BETWEEN THE IRS AND PRIVATE SECTOR TAX PREPARATION SERVICES TO PROVIDE FOR FREE TAX FILING TO REPLACE THE EXISTING "FREE FILE" PROGRAM AND ANY "DIRECT EFILE" TAX RETURN SYSTEM.—Out of any money in the Treasury not otherwise appropriated, there is hereby appropriated for the fiscal year ending September 30, 2026, for necessary expenses of the Department of the Treasury to deliver to Congress, within 90 days following the date of the enactment of this Act, a report on (1) the cost of a new public-private partnership to provide for free tax filing for up to 70 percent of all taxpayers calculated by adjusted gross income to replace free file and any IRS-run direct file programs; (2) taxpayer opinions and preferences regarding a taxpayer-funded, government-run service or a free service provided by the private sector; and (3) assessment of the feasibility of a new ap-

proach, how to make the options consistent and simple for taxpayers across all participating providers, how to provide features to address taxpayer needs, and how much money should be appropriated to advertise the new option, $15,000,000, to remain available until September 30, 2026.

SEC. 112208. POSTPONEMENT OF TAX DEADLINES FOR HOSTAGES AND INDIVIDUALS WRONGFULLY DETAINED ABROAD.

(a) PROSPECTIVE RELIEF.—

(1) IN GENERAL.—Chapter 77 is amended by inserting after section 7510 the following new section:

"SEC. 7511. TIME FOR PERFORMING CERTAIN ACTS POSTPONED FOR HOSTAGES AND INDIVIDUALS WRONGFULLY DETAINED ABROAD.

"(a) TIME TO BE DISREGARDED.—

"(1) IN GENERAL.—The period during which an applicable individual was unlawfully or wrongfully detained abroad, or held hostage abroad, shall be disregarded in determining, under the internal revenue laws, in respect of any tax liability of such individual—

"(A) whether any of the acts described in section 7508(a)(1) were performed within the time prescribed thereof (determined without regard to extension under any other provision of this subtitle for periods after the initial date (as determined by the Secretary) on which such individual was unlawfully or wrongfully detained abroad or held hostage abroad),

"(B) the amount of any interest, penalty, additional amount, or addition to the tax for periods after such date, and

"(C) the amount of any credit or refund.

"(2) APPLICATION TO SPOUSE.—The provisions of paragraph (1) shall apply to the spouse of any individual entitled to the benefits of such paragraph.

"(b) APPLICABLE INDIVIDUAL.—

"(1) IN GENERAL.—For purposes of this section, the term 'applicable individual' means any individual who is—

"(A) a United States national unlawfully or wrongfully detained abroad, as determined under section 302 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act (22 U.S.C. 1741), or

"(B) a United States national taken hostage abroad, as determined pursuant to the findings of the Hostage Recovery Fusion Cell (as described in section 304 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act (22 U.S.C. 1741b)).

"(2) INFORMATION PROVIDED TO TREASURY.—For purposes of identifying individuals described in paragraph (1), not later than January 1, 2026, and annually thereafter—

"(A) the Secretary of State shall provide the Secretary with a list of the individuals described in paragraph (1)(A), as well as any other information necessary to identify such individuals, and

"(B) the Attorney General, acting through the Hostage Recovery Fusion Cell, shall provide the Secretary with a

list of the individuals described in paragraph (1)(B), as well as any other information necessary to identify such individuals.

"(c) SPECIAL RULE FOR OVERPAYMENTS.—

"(1) IN GENERAL.—Subsection (a) shall not apply for purposes of determining the amount of interest on any overpayment of tax.

"(2) SPECIAL RULES.—If an individual is entitled to the benefits of subsection (a) with respect to any return and such return is timely filed (determined after the application of such subsection), subsections (b)(3) and (e) of section 6611 shall not apply.

"(d) MODIFICATION OF TREASURY DATABASES AND INFORMATION SYSTEMS.—The Secretary shall ensure that databases and information systems of the Department of the Treasury are updated as necessary to ensure that statute expiration dates, interest and penalty accrual, and collection activities are suspended consistent with the application of subsection (a).

"(e) REFUND AND ABATEMENT OF PENALTIES AND FINES IMPOSED PRIOR TO IDENTIFICATION AS APPLICABLE INDIVIDUAL.—In the case of any applicable individual—

"(1) for whom any interest, penalty, additional amount, or addition to the tax in respect to any tax liability for any taxable year ending during the period described in subsection (a)(1) was assessed or collected, and

"(2) who was, subsequent to such assessment or collection, determined to be an individual described in subparagraph (A) or (B) of subsection (b)(1),

the Secretary shall abate any such assessment and refund any amount collected to such applicable individual in the same manner as any refund of an overpayment of tax under section 6402.".

(2) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by inserting after the item relating to section 7510 the following new item:

"Sec. 7511. Time for performing certain acts postponed for hostages and individuals wrongfully detained abroad.".

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

(b) REFUND AND ABATEMENT OF PENALTIES AND FINES PAID BY ELIGIBLE INDIVIDUALS.—

(1) IN GENERAL.—Section 7511, as added by subsection (a), is amended by adding at the end the following new subsection:

"(f) REFUND AND ABATEMENT OF PENALTIES AND FINES PAID BY ELIGIBLE INDIVIDUALS WITH RESPECT TO PERIODS PRIOR TO DATE OF ENACTMENT OF THIS SECTION.—

"(1) IN GENERAL.—

"(A) ESTABLISHMENT.—Not later than January 1, 2026, the Secretary (in consultation with the Secretary of State and the Attorney General) shall establish a program to allow any eligible individual (or the spouse or any dependent (as defined in section 152) of such individual) to apply for a refund or an abatement of any amount described in

paragraph (2) (including interest) to the extent such amount was attributable to the applicable period.

"(B) IDENTIFICATION OF INDIVIDUALS.—Not later than January 1, 2026, the Secretary of State and the Attorney General, acting through the Hostage Recovery Fusion Cell (as described in section 304 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act (22 U.S.C. 1741b)), shall—

"(i) compile a list, based on such information as is available, of individuals who were applicable individuals during the applicable period, and

"(ii) provide the list described in clause (i) to the Secretary.

"(C) NOTICE.—For purposes of carrying out the program described in subparagraph (A), the Secretary (in consultation with the Secretary of State and the Attorney General) shall, with respect to any individual identified under subparagraph (B), provide notice to such individual—

"(i) in the case of an individual who has been released on or before the date of enactment of this subsection, not later than 90 days after the date of enactment of this subsection, or

"(ii) in the case of an individual who is released after the date of enactment of this subsection, not later than 90 days after the date on which such individual is released,

that such individual may be eligible for a refund or an abatement of any amount described in paragraph (2) pursuant to the program described in subparagraph (A).

"(D) AUTHORIZATION.—

"(i) IN GENERAL.—Subject to clause (ii), in the case of any refund described in subparagraph (A), the Secretary shall issue such refund to the eligible individual in the same manner as any refund of an overpayment of tax.

"(ii) EXTENSION OF LIMITATION ON TIME FOR REFUND.—With respect to any refund under subparagraph (A)—

"(I) the 3-year period of limitation prescribed by section 6511(a) shall be extended until the end of the 1-year period beginning on the date that the notice described in subparagraph (C) is provided to the eligible individual, and

"(II) any limitation under section 6511(b)(2) shall not apply.

"(2) ELIGIBLE INDIVIDUAL.—For purposes of this subsection, the term 'eligible individual' means any applicable individual who, for any taxable year ending during the applicable period, paid or incurred any interest, penalty, additional amount, or addition to the tax in respect to any tax liability for such year of such individual based on a determination that an act described in section 7508(a)(1) which was not performed by the time prescribed therefor (without regard to any extensions).

"(3) APPLICABLE PERIOD.—For purposes of this subsection, the term 'applicable period' means the period—

"(A) beginning on January 1, 2021, and

"(B) ending on the date of enactment of this subsection.".

(2) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending on or before the date of enactment of this Act.

SEC. 112209. TERMINATION OF TAX-EXEMPT STATUS OF TERRORIST SUPPORTING ORGANIZATIONS.

(a) IN GENERAL.—Section 501(p) is amended by adding at the end the following new paragraph:

"(8) APPLICATION TO TERRORIST SUPPORTING ORGANIZATIONS.—

"(A) IN GENERAL.—For purposes of this subsection, in the case of any terrorist supporting organization—

"(i) such organization (and the designation of such organization under subparagraph (B)) shall be treated as described in paragraph (2), and

"(ii) the period of suspension described in paragraph (3) with respect to such organization shall be treated as beginning on the date that the Secretary designates such organization under subparagraph (B) and ending on the date that the Secretary rescinds such designation under subparagraph (D).

"(B) TERRORIST SUPPORTING ORGANIZATION.—For purposes of this paragraph—

"(i) IN GENERAL.—the term 'terrorist supporting organization' means any organization which is designated by the Secretary as having provided, during the 3-year period ending on the date of such designation, material support or resources to an organization described in paragraph (2) (determined after the application of this paragraph to such organization) in excess of a de minimis amount.

"(ii) MATERIAL SUPPORT OR RESOURCES.—The term 'material support or resources' has the meaning given such term in subsection (g)(4) of section 2339B of title 18, United States Code, except that such term shall not include—

"(I) support or resources that were approved by the Secretary of State with the concurrence of the Attorney General for purposes of subsection (j) of such section, or

"(II) humanitarian aid provided with the approval of the Office of Foreign Assets Control.

"(C) DESIGNATION PROCEDURE.—

"(i) NOTICE REQUIREMENT.—Prior to designating any organization as a terrorist supporting organization under subparagraph (B), the Secretary shall mail to the most recent mailing address provided by such organization on the organization's annual return or notice under section 6033 (or subsequent form indicating a change of address) a written notice which includes—

"(I) a statement that the Secretary will designate such organization as a terrorist supporting organization unless the organization satisfies the requirements of subclause (I) or (II) of clause (ii),

"(II) the name of the organization or organizations with respect to which the Secretary has determined such organization provided material support or sources as described in subparagraph (B),

"(III) a description of such material support or resources except to the extent that the Secretary determines that disclosure of such description would be inconsistent with national security or law enforcement interests, and

"(IV) if the Secretary makes the determination described in subclause (III), a statement that the Secretary has made such determination and that all or part of the description of such material support or resources is not included in such notice by reason of such determination.

"(ii) OPPORTUNITY TO CURE.—In the case of any notice provided to an organization under clause (i), the Secretary shall, at the close of the 90-day period beginning on the date that such notice was sent, designate such organization as a terrorist supporting organization under subparagraph (B) if (and only if) such organization has not (during such period)—

"(I) demonstrated to the satisfaction of the Secretary that such organization did not provide the material support or resources referred to in subparagraph (B),

"(II) made reasonable efforts to have such support or resources returned to such organization and certified in writing to the Secretary that such organization will not provide any further support or resources to organizations described in paragraph (2), or

"(III) if such notice included a statement described in clause (i)(IV), filed a complaint with a United States district court of competent jurisdiction alleging that Secretary's determination under clause (i)(III) is erroneous.

A certification under subclause (II) shall not be treated as valid if the organization making such certification has provided any other such certification during the preceding 5 years.

"(iii) APPLICATION OF OPPORTUNITY TO CURE FOLLOWING COMPLAINT REGARDING DETERMINATION TO WITHHOLD DESCRIPTION OF MATERIAL SUPPORT OR RESOURCES.—In the case of a final judgment of a court of competent jurisdiction that the Secretary's determination under clause (i)(III) was not erroneous, clause (ii) shall be applied without regard to subclause (III) thereof and as though the notice referred to in such clause was sent on the first date that all rights

of appeal with respect to such final judgement have concluded.

"(D) RESCISSION.—The Secretary shall rescind a designation under subparagraph (B) if (and only if)—

"(i) the Secretary determines that such designation was erroneous,

"(ii) after the Secretary receives a written certification from an organization that such organization did not receive the notice described in subparagraph (C)(i)—

"(I) the Secretary determines that it is reasonable to believe that such organization did not receive such notice, and

"(II) such organization satisfies the requirements of subclause (I) or (II) of subparagraph (C)(ii) (determined after taking into account the last sentence thereof), or

"(iii) the Secretary determines, with respect to all organizations to which the material support or resources referred to in subparagraph (B) were provided, the periods of suspension under paragraph (3) have ended.

A certification described in the matter preceding subclause (I) of clause (ii) shall not be treated as valid if the organization making such certification has provided any other such certification during the preceding 5 years.

"(E) ADMINISTRATIVE REVIEW BY INTERNAL REVENUE SERVICE INDEPENDENT OFFICE OF APPEALS.—In the case of the designation of an organization by the Secretary as a terrorist supporting organization under subparagraph (B), a dispute regarding such designation shall be subject to resolution by the Internal Revenue Service Independent Office of Appeals under section 7803(e) in the same manner as if such designation were made by the Internal Revenue Service and paragraph (5) of this subsection did not apply.

"(F) JURISDICTION OF UNITED STATES COURTS.—Notwithstanding paragraph (5), the United States district courts shall have exclusive jurisdiction to review any determination of the Secretary under subparagraph (C)(i)(III) and any final determination with respect to an organization's designation as a terrorist supporting organization under subparagraph (B). In the case of any such determination which was based on classified information (as defined in section 1(a) of the Classified Information Procedures Act), such information may be submitted to the reviewing court ex parte and in camera. For purposes of this subparagraph, a determination with respect to an organization's designation as a terrorist supporting organization shall not fail to be treated as a final determination merely because such organization fails to utilize the dispute resolution process of the Internal Revenue Service Independent Office of Appeals provided under subparagraph (E).

"(G) CLASSIFIED INFORMATION.—The Secretary shall establish policies and procedures for purposes of this paragraph that ensure that employees of the Department of the Treasury comply with all laws regarding the handling and review of classified information (as defined in section 1(a) of the Classified Information Procedures Act).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to designations made after the date of the enactment of this Act in taxable years ending after such date.

SEC. 112210. INCREASE IN PENALTIES FOR UNAUTHORIZED DISCLOSURES OF TAXPAYER INFORMATION.

(a) IN GENERAL.—Paragraphs (1), (2), (3), (4), and (5) of section 7213(a) are each amended by striking "$5,000, or imprisonment of not more than 5 years" and inserting "$250,000, or imprisonment of not more than 10 years".

(b) DISCLOSURES OF RETURN INFORMATION OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLATIONS.—Section 7213(a) is amended by adding at the end the following new paragraph:

"(6) DISCLOSURES OF RETURN INFORMATION OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLATIONS.—For purposes of this subsection, a separate violation occurs with respect to each taxpayer whose return or return information is disclosed in violation of this subsection.".

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

SEC. 112211. RESTRICTION ON REGULATION OF CONTINGENCY FEES WITH RESPECT TO TAX RETURNS, ETC.

The Secretary of the Treasury may not regulate, prohibit, or restrict the use of a contingent fee in connection with tax returns, claims for refund, or documents in connection with tax returns or claims for refund prepared on behalf of a taxpayer.

Subtitle D—Increase in Debt Limit

SEC. 113001. MODIFICATION OF LIMITATION ON THE PUBLIC DEBT.

The limitation under section 3101(b) of title 31, United States Code, as most recently increased by section 401(b) of Public Law 118–5 (31 U.S.C. 3101 note), is increased by $4,000,000,000,000.

I. EXPLANATION OF THE BILL

SUBTITLE A—MAKE AMERICAN FAMILIES AND WORKERS THRIVE AGAIN

PART I—PERMANENTLY PREVENTING TAX HIKES ON AMERICAN FAMILIES AND WORKERS

EXTENSION OF MODIFICATION OF RATES (SEC. 110001 OF THE BILL AND SEC. 1 OF THE CODE)

PRESENT LAW

In general

To determine regular tax liability, individual, estate, and trust taxpayers generally must apply the tax rate schedules (or the tax tables) to their regular taxable income.[1] The rate schedules are broken into several ranges of income, known as income brackets, and the marginal tax rate increases as a taxpayer's income bracket increases.

Tax rate schedules

Separate rate schedules apply based on an individual's filing status. Public Law 115–97 changed the rate schedules for taxable years beginning after December 31, 2017, and beginning before January 1, 2026. For 2025, the regular individual, estate, and trust income tax rate schedules are as follows:

TABLE 1.—FEDERAL INDIVIDUAL, ESTATE, AND TRUST INCOME TAX RATES FOR 2025 *

If taxable income is:	Then income tax equals:
SINGLE INDIVIDUALS	
Not over $11,925	10% of the taxable income
Over $11,925 but not over $48,475	$1,192.50 plus 12% of the excess over $11,925
Over $48,475 but not over $103,350	$5,578.50 plus 22% of the excess over $48,475
Over $103,350 but not over $197,300	$17,651 plus 24% of the excess over $103,350
Over $197,300 but not over $250,525	$40,199 plus 32% of the excess over $197,300
Over $250,525 but not over $626,350	$57,231 plus 35% of the excess over $250,525
Over $626,350	$188,769.75 plus 37% of the excess over $626,350
HEADS OF HOUSEHOLDS	
Not over $17,000	10% of the taxable income
Over $17,000 but not over $64,850	$1,700 plus 12% of the excess over $17,000
Over $64,850 but not over $103,350	$7,442 plus 22% of the excess over $64,850
Over $103,350 but not over $197,300	$15,912 plus 24% of the excess over $103,350
Over $197,300 but not over $250,500	$38,460 plus 32% of the excess over $197,300
Over $250,500 but not over $626,350	$55,484 plus 35% of the excess over $250,500
Over $626,350	$187,031.50 plus 37% of the excess over $626,350
MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES	
Not over $23,850	10% of the taxable income
Over $23,850 but not over $96,950	$2,385 plus 12% of the excess over $23,850
Over $96,950 but not over $206,700	$11,157 plus 22% of the excess over $96,950
Over $206,700 but not over $394,600	$35,302 plus 24% of the excess over $206,700
Over $394,600 but not over $501,050	$80,398 plus 32% of the excess over $394,600
Over $501,050 but not over $751,600	$114,462 plus 35% of the excess over $501,050
Over $751,600	$202,154.50 plus 37% of the excess over $751,600
MARRIED INDIVIDUALS FILING SEPARATE RETURNS	
Not over $11,925	10% of the taxable income

[1] Sec. 1.

TABLE 1.—FEDERAL INDIVIDUAL, ESTATE, AND TRUST INCOME TAX RATES FOR 2025 *—Continued

If taxable income is:	Then income tax equals:
Over $11,925 but not over $48,475	$1,192.50 plus 12% of the excess over $11,925
Over $48,475 but not over $103,350	$5,578.50 plus 22% of the excess over $48,475
Over $103,350 but not over $197,300	$17,651 plus 24% of the excess over $103,350
Over $197,300 but not over $250,525	$40,199 plus 32% of the excess over $197,300
Over $250,525 but not over $375,800	$57,231 plus 35% of the excess over $250,525
Over $375,800	$101,077.25 plus 37% of the excess over $375,800
ESTATES AND TRUSTS	
Not over $3,150	10% of the taxable income
Over $3,150 but not over $11,450	$315 plus 24% of the excess over $3,150
Over $11,450 but not over $15,650	$2,307 plus 35% of the excess over $11,450
Over $15,650	$3,777 plus 37% of the excess over $15,650

*Rev. Proc. 2024–40, 2024–45 I.R.B. 1100, November 4, 2024.

For taxable years beginning after December 31, 2025, the changes made to the rate schedules by Public Law 115–97 no longer apply. For 2026, the regular individual, estate, and trust income tax rate schedules are projected to be as follows:

TABLE 2.—FEDERAL INDIVIDUAL, ESTATE, AND TRUST INCOME TAX RATES FOR 2026*

If taxable income is:	Then income tax equals:
SINGLE INDIVIDUALS	
Not over $12,150	10% of the taxable income
Over $12,150 but not over $49,300	$1,215 plus 15% of the excess over $12,150
Over $49,300 but not over $119,400	$6,787.50 plus 25% of the excess over $49,300
Over $119,400 but not over $249,100	$24,312.50 plus 28% of the excess over $119,400
Over $249,100 but not over $541,550	$60,628.50 plus 33% of the excess over $249,100
Over $541,550 but not over $543,800	$157,137 plus 35% of the excess over $541,550
Over $543,800	$157,924.50 plus 39.6% of the excess over $543,800
HEADS OF HOUSEHOLDS	
Not over $17,350	10% of the taxable income
Over $17,350 but not over $66,050	$1,735 plus 15% of the excess over $17,350
Over $66,050 but not over $170,550	$9,040 plus 25% of the excess over $66,050
Over $170,550 but not over $276,200	$35,165 plus 28% of the excess over $170,550
Over $276,200 but not over $541,550	$64,747 plus 33% of the excess over $276,200
Over $541,550 but not over $577,750	$152,312.50 plus 35% of the excess over $541,550
Over $577,750	$164,982.50 plus 39.6% of the excess over $577,750
MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES	
Not over $24,300	10% of the taxable income
Over $24,300 but not over $98,600	$2,430 plus 15% of the excess over $24,300
Over $98,600 but not over $199,000	$13,575 plus 25% of the excess over $98,600
Over $199,000 but not over $303,250	$38,675 plus 28% of the excess over $199,000
Over $303,250 but not over $541,550	$67,865 plus 33% of the excess over $303,250
Over $541,550 but not over $611,750	$146,504 plus 35% of the excess over $541,550
Over $611,750	$171,074 plus 39.6% of the excess over $611,750
MARRIED INDIVIDUALS FILING SEPARATE RETURNS	
Not over $12,150	10% of the taxable income
Over $12,150 but not over $49,300	$1,215 plus 15% of the excess over $12,150
Over $49,300 but not over $99,500	$6,787.50 plus 25% of the excess over $49,300
Over $99,500 but not over $151,625	$19,337.50 plus 28% of the excess over $99,500
Over $151,625 but not over $270,775	$33,932.50 plus 33% of the excess over $151,625
Over $270,775 but not over $305,875	$73,252 plus 35% of the excess over $270,775
Over $305,875	$85,537 plus 39.6% of the excess over $305,875
ESTATES AND TRUSTS	
Not over $3,300	15% of the taxable income
Over $3,300 but not over $7,800	$495 plus 25% of the excess over $3,300
Over $7,800 but not over $11,900	$1,620 plus 28% of the excess over $7,800

TABLE 2.—FEDERAL INDIVIDUAL, ESTATE, AND TRUST INCOME TAX RATES FOR 2026*—Continued

If taxable income is:	Then income tax equals:
Over $11,900 but not over $16,200	$2,768 plus 33% of the excess over $11,900
Over $16,200	$4,187 plus 39.6% of the excess over $16,200

*Joint Committee on Taxation staff projections.

Indexing for inflation

The income bracket thresholds, the amounts where a higher rate bracket begins and a lower rate bracket ends, are indexed for inflation using a cost-of-living adjustment.[2] The cost-of- living adjustment for the regular income tax brackets for 2025 is the percentage by which the Chained Consumer Price Index for all Urban Consumers ("chained CPI") for 2024 exceeds the chained CPI for 2017.[3]

REASONS FOR CHANGE

The Committee believes that making permanent a simpler and fairer Federal income tax will support hardworking Americans and their families. Additionally, the Committee believes that a tax system with lower rates will allow taxpayers to keep more of their earnings to spend on family needs and will contribute to economic growth. The Committee extends this tax relief further by providing an additional inflation adjustment on the rate brackets for all but the highest income taxpayers.

EXPLANATION OF PROVISION

The provision makes permanent the regular income tax rate schedules for individuals, estates, and trusts enacted by Public Law 115–97.

The provision generally modifies the indexing for inflation for bracket thresholds by providing one additional year of inflation in the cost-of-living adjustment. Under the provision, the cost-of-living adjustment for the regular income tax brackets for 2026 is generally the percentage by which the chained CPI for 2025 exceeds the chained CPI for 2016.[4] The result is that the bracket thresholds are larger than they would otherwise be absent this additional year of inflation.

However, the dollar amount at which the 37-percent rate bracket begins and the 35-percent rate bracket ends (the "37-percent rate bracket threshold") is not provided this additional year of inflation in the cost-of-living adjustment. Thus, the cost-of-living adjustment for the 37-percent rate bracket threshold for 2026 is the percentage by which chained CPI for 2025 exceeds the chained CPI for 2017.

Under the provision, for 2026, the regular individual income tax rate schedules are projected to be as follows:

[2] Sec. 1(f).

[3] Sec. 1(j)(3). In general, provisions in the Code that are inflation adjusted using the Consumer Price Index calculate the inflation adjustment for a given calendar year by comparing the price index in the preceding calendar year to the price index in a "base year."

[4] Absent this modification, the cost-of-living adjustment for this purpose for 2026 is the percentage by which the chained CPI for 2025 exceeds the chained CPI for 2017.

TABLE 3.—FEDERAL INDIVIDUAL, ESTATE, AND TRUST INCOME TAX RATES FOR 2026 UNDER THE PROVISION *

If taxable income is:	Then income tax equals:
SINGLE INDIVIDUALS	
Not over $12,375	10% of the taxable income
Over $12,375 but not over $50,275	$1,237.50 plus 12% of the excess over $12,375
Over $50,275 but not over $107,200	$5,785.50 plus 22% of the excess over $50,275
Over $107,200 but not over $204,700	$18,309 plus 24% of the excess over $107,200
Over $204,700 but not over $259,925	$41,709 plus 32% of the excess over $204,700
Over $259,925 but not over $639,275	$59,381 plus 35% of the excess over $259,925
Over $639,275	$192,153.50 plus 37.0% of the excess over $639,275
HEADS OF HOUSEHOLDS	
Not over $17,650	10% of the taxable income
Over $17,650 but not over $67,300	$1,765 plus 12% of the excess over $17,650
Over $67,300 but not over $107,200	$7,723 plus 22% of the excess over $67,300
Over $107,200 but not over $204,700	$16,501 plus 24% of the excess over $107,200
Over $204,700 but not over $259,900	$39,901 plus 32% of the excess over $204,700
Over $259,900 but not over $639,250	$57,565 plus 35% of the excess over $259,900
Over $639,250	$190,337.50 plus 37.0% of the excess over $639,250
MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES	
Not over $24,750	10% of the taxable income
Over $24,750 but not over $100,550	$2,475 plus 12% of the excess over $24,750
Over $100,550 but not over $214,400	$11,571 plus 22% of the excess over $100,550
Over $214,400 but not over $409,400	$36,618 plus 24% of the excess over $214,400
Over $409,400 but not over $519,850	$83,418 plus 32% of the excess over $409,400
Over $519,850 but not over $767,150	$118,762 plus 35% of the excess over $519,850
Over $767,150	$205,317 plus 37.0% of the excess over $767,150
MARRIED INDIVIDUALS FILING SEPARATE RETURNS	
Not over $12,375	10% of the taxable income
Over $12,375 but not over $50,275	$1,237.50 plus 12% of the excess over $12,375
Over $50,275 but not over $107,200	$5,785.50 plus 22% of the excess over $50,275
Over $107,200 but not over $204,700	$18,309 plus 24% of the excess over $107,200
Over $204,700 but not over $259,925	$41,709 plus 32% of the excess over $204,700
Over $259,925 but not over $383,575	$59,381 plus 35% of the excess over $259,925
Over $383,575	$102,658.50 plus 37.0% of the excess over $383,575
ESTATES AND TRUSTS	
Not over $3,300	10% of the taxable income
Over $3,300 but not over $11,850	$330 plus 24% of the excess over $3,300
Over $11,850 but not over $15,950	$2,382 plus 35% of the excess over $11,850
Over $15,950	$3,817 plus 37% of the excess over $15,950

*JCT staff calculations.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF INCREASED STANDARD DEDUCTION AND TEMPORARY ENHANCEMENT (SEC. 110002 OF THE BILL AND SEC. 63 OF THE CODE)

PRESENT LAW

An individual who does not elect to itemize deductions reduces adjusted gross income ("AGI") by the amount of the applicable standard deduction in arriving at taxable income. The standard deduction is the sum of the basic standard deduction and, if applicable, the additional standard deduction.[5] The basic standard deduc-

[5] Sec. 63(c)(1).

tion varies depending upon a taxpayer's filing status. For taxable years beginning in 2025, the amount of the basic standard deduction is $15,000 for an unmarried individual (other than a head of household or a surviving spouse) and a married individual filing a separate return,[6] $22,500 for a head of household, and $30,000 for married individuals filing a joint return and a surviving spouse.[7]

An additional standard deduction is allowed to an individual who has attained age 65 before the close of the taxable year or is blind at the close of the taxable year.[8] For 2025, the additional amount is $1,600 for a married taxpayer (for each spouse meeting the applicable criteria in the case of a joint return) and a surviving spouse. The additional amount for a single individual and head of household is $2,000. An individual who is both blind and has attained age 65 is entitled to two additional standard deductions, for a total additional amount (for 2025) of $3,200 or $4,000, as applicable.

In the case of a dependent for whom a deduction for a personal exemption[9] is allowable to another taxpayer, the standard deduction may not exceed the greater of (i) $1,350 (in 2025) or (ii) the sum of $450 (in 2025) plus the dependent's earned income.[10] The standard deduction for an estate or trust is zero.[11] The amounts of the basic and additional standard deduction are indexed annually for inflation.[12]

Public law 115–97 temporarily increases the basic standard deduction for tax years beginning after December 31, 2017, and before January 1, 2026. Under present law, relative to taxable years beginning in 2025, the standard deduction will decrease for taxable years beginning in 2026, with the amount of the basic standard deduction being $8,300 for an unmarried individual (other than a head of household or a surviving spouse) and a married individual filing a separate return,[13] $12,150 for a head of household, and $16,600 for married individuals filing a joint return and a surviving spouse.[14] The additional standard deduction was not modified by Public Law 115–97.

REASONS FOR CHANGE

The Committee believes consolidating certain tax benefits into a larger standard deduction simplifies the tax code while allowing a minimum level of income to be exempt from Federal income taxation. The Committee wishes to enhance this larger standard deduction with an additional amount and an additional inflation adjustment to provide further tax relief.

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[6] In the case of a married individual filing a separate return where either spouse itemizes deductions, the standard deduction is zero. Sec. 63(c)(6).

[7] Rev. Proc. 2024–40, 2024–45 I.R.B. 1100.

[8] Sec. 63(f).

[9] For taxable years beginning in 2018 through 2025, the personal exemption amount is reduced to zero. Sec. 151(d)(5). This reduction is not taken into account in determining the limitation on the standard deduction for dependents. See sec. 151(d)(5).

[10] Sec. 63(c)(5).

[11] Sec. 63(f).

[12] *Sec. 63(c)(4) and (c)(7)(B).

[13] In the case of a married individual filing a separate return where either spouse itemizes deductions, the standard deduction is zero. Sec. 63(c)(6).

[14] Joint Committee on Taxation staff projections.

EXPLANATION OF PROVISION

The provision strikes the expiration date of the temporary increases to the standard deduction enacted by Public Law 115–97.

The provision modifies the indexing for inflation of the standard deduction amount by providing one additional year of inflation in the cost-of-living adjustment starting in taxable years beginning after December 31, 2025. Under the provision, the cost-of-living adjustment for the standard deduction amount for 2026 is the percentage by which the chained CPI for 2025 exceeds the chained CPI for 2016.[15] The result is that the standard deduction amount is larger than it would otherwise be absent this additional year of inflation.

In addition, the provision temporarily increases the amount of the standard deduction by $2,000 in the case of married individuals filing a joint return and a surviving spouse, $1,500 in the case of a head of household, and $1,000 in any other case for taxable years beginning after December 31, 2024, and before January 1, 2029. These temporary amounts are not indexed for inflation.

As a result, the amount of the basic standard deduction for taxable years beginning in 2025 will increase to $16,000 for an unmarried individual (other than a head of household or a surviving spouse) and a married individual filing a separate return, $24,000 for a head of household, and $32,000 for married individuals filing a joint return and a surviving spouse. For taxable years in beginning in 2026 the standard deduction is projected to be $16,550 for an unmarried individual (other than a head of household or a surviving spouse) and a married individual filing a separate return, $24,850 for a head of household, and $33,100 for married individuals filing a joint return and a surviving spouse.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2024.

TERMINATION OF DEDUCTION FOR PERSONAL EXEMPTIONS (SEC. 110003 OF THE BILL AND SEC. 151 OF THE CODE)

PRESENT LAW

In general

In determining taxable income, an individual reduces adjusted gross income by any personal exemption deductions and either the applicable standard deduction or their itemized deductions. Personal exemptions generally are allowed for the taxpayer (both taxpayers in the case of a joint return) and any dependents of the taxpayer.[16] Public Law 115–97 temporarily reduced the amount of the personal exemption to $0 for taxable years 2018 through 2025.[17]

[15] Absent this modification, the cost-of-living adjustment for this purpose for 2026 is the percentage by which the chained CPI for 2025 exceeds the chained CPI for 2017.

[16] Sec. 151(b) and (c). In addition, a married taxpayer filing a separate return may claim a personal exemption deduction for a spouse if the spouse has no gross income and is not a dependent of another taxpayer.

[17] Sec. 151(d)(5).

For 2026, the amount deductible for each personal exemption is projected to be $5,300.[18] The personal exemption amount is phased out in the case of an individual with AGI in excess of $407,850 for married taxpayers filing jointly, $373,850 for heads of household, $203,925 for married taxpayers filing separately, and $339,850 for all other filers.[19] The amounts of the personal exemption and phaseout thresholds are indexed annually for inflation. In addition, no deduction for a personal exemption is allowed to a dependent if a personal exemption deduction for the dependent is allowable to another taxpayer or if an individual's taxpayer identification number is not included on the return claiming the exemption.

Trusts and estates

In lieu of the deduction for personal exemptions, an estate is allowed a deduction of $600.[20] A trust is allowed a deduction of $100; $300 if required to distribute all its income currently; and an amount equal to the personal exemption of an individual, or for years in which the personal exemption is zero, an indexed value ($5,100 for 2025), in the case of a qualified disability trust.[21]

REASONS FOR CHANGE

The Committee believes consolidating certain tax benefits into a larger standard deduction simplifies the tax code while allowing a minimum level of income to be exempt from Federal income taxation.

EXPLANATION OF PROVISION

The provision permanently reduces the amount of the personal exemption to $0.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF INCREASED CHILD TAX CREDIT AND TEMPORARY ENHANCEMENT (SEC. 110004 OF THE BILL AND SEC. 24 OF THE CODE)

PRESENT LAW

Child tax credit

In general

Taxpayers are allowed a child tax credit of $2,000 for each qualifying child.[22] The aggregate amount of otherwise allowable child tax credit is phased out for taxpayers with income over a threshold amount of $400,000 for taxpayers filing jointly and $200,000 for all other taxpayers.[23] The otherwise allowable child tax credit amount

[18] Joint Committee on Taxation staff projection.
[19] Sec. 151(d)(3).
[20] Sec. 642(b)(1).
[21] Sec. 642(b)(2).
[22] Sec. 24(a), (h)(2). For taxable years beginning after December 31, 2025, the amount of the credit is $1,000 for each qualifying child. See below for descriptions of other changes to the child tax credit for taxable years beginning after December 31, 2025.
[23] Sec. 24(b), (h)(3). For taxable years beginning after December 31, 2025, the modified AGI threshold amounts at which the credit begins to phase out are $75,000 for individuals who are

is reduced by $50 for each $1,000 (or fraction thereof) of modified adjusted gross income ("modified AGI") over the applicable threshold amount. For purposes of this limitation, modified AGI means AGI increased by any amount excluded from gross income under section 911 (foreign earned income exclusion), 931 (exclusion of income for a bona fide resident of American Samoa), or 933 (exclusion of income for a bona fide resident of Puerto Rico).[24]

Generally, for purposes of the child tax credit, a qualifying child is a qualifying child as defined in section 152(c) who is under the age of 17.[25] Only a child who is a U.S. citizen, national, or resident may be a qualifying child; citizens of contiguous countries are ineligible under the child tax credit definition of qualifying child.[26]

The name and Social Security number ("SSN") of the qualifying child must appear on the return, and the SSN must be issued before the due date for filing the return.[27] The SSN also must be issued to a citizen or national of the United States or pursuant to a provision of the Social Security Act relating to the lawful admission for employment in the United States.[28] The TIN of the taxpayer must be issued on or before the due date for filing the return.[29]

Partial refundability and calculation of additional child tax credit

The child tax credit is generally a nonrefundable tax credit taken against income tax liability. The credit is allowable against both the regular tax and the alternative minimum tax.[30]

In some circumstances, all or a portion of the otherwise allowable credit is treated as a refundable credit (the "additional child tax credit").[31] The credit is treated as refundable in an amount equal to 15 percent of earned income in excess of $2,500 (the "earned income formula").[32] Earned income generally has the same definition as for purposes of the earned income tax credit and is defined as the sum of wages, salaries, tips, and other taxable employee compensation plus net self-employment earnings.[33] For purposes of the additional child tax credit, only items taken into account in computing taxable income are treated as earned income.[34] However, combat pay that is excluded from gross income under section 112 is also taken into account.

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not married, $110,000 for married individuals filing joint returns, and $55,000 for married individuals filing separate returns.

[24] Sec. 24(b)(1).

[25] Sec. 24(c)(1).

[26] Sec. 24(c)(2).

[27] Sec. 24(h)(7). For taxable years beginning after December 31, 2025, the child tax credit may be claimed if the taxpayer identification number ("TIN") of the qualifying child, rather than the SSN of the child, appears on the return. Sec. 24(e)(1).

[28] See sec. 205(c)(2)(B)(i)(I) (or that portion of subclause (III) that relates to subclause (I)) of the Social Security Act.

[29] Sec. 24(e)(2).

[30] Sec. 26(a).

[31] Sec. 24(d).

[32] Sec. 24(d)(1)(B)(i), (h)(6). For taxable years beginning after December 31, 2025, the earned income threshold for the refundable child tax credit is $3,000.

[33] Sec. 32(c)(2).

[34] Sec. 24(d)(1)(B)(i). For example, some ministers' parsonage allowances are considered self-employment income, see section 1402(a)(8), and thus are considered earned income for purposes of computing the EITC, but they are excluded from gross income for income tax purposes and thus are not considered earned income for purposes of the additional child tax credit.

A taxpayer with three or more qualifying children may determine the additional child tax credit using the "alternative formula," if this formula results in a larger additional child tax credit than determined under the earned income formula. Under the alternative formula, the additional child tax credit equals the amount by which the taxpayer's Social Security taxes exceed the taxpayer's earned income tax credit.[35]

The maximum amount of the additional child tax credit per qualifying child ($1,700 for 2025)[36] is indexed for inflation, although the amount may not exceed the $2,000 amount of the nonrefundable child tax credit.[37] The inflation adjustment is the percentage by which the Chained Consumer Price Index for all Urban Consumers ("chained CPI") for the preceding calendar year exceeds the chained CPI for 2017.

Withholding

Chapter 24 of the Code provides rules for employers to deduct and withhold amounts from employee wages for the payment of income tax. Under rules determined by the Secretary, an employee may be permitted one or more withholding allowances that reduces the amount of income tax withholding. A taxpayer's withholding allowances may take into account the number of children in respect of whom it is reasonably expected that the taxpayer is eligible for a child tax credit.[38]

Credit for other dependents

An individual is allowed a $500 nonrefundable credit for each dependent of the taxpayer as defined in section 152, other than a qualifying child as defined for purposes of the child tax credit.[39]

Application of the child tax credit in the territories of the United States

The three mirror Code territories (Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands) have, under their mirror Codes, a child tax credit identical to that in the Internal Revenue Code. A resident of one of these territories claims the child tax credit on the income tax return filed with the territory's revenue authority.

Mirror Code territories

The Secretary is directed to make payments to each of Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands in an amount equal to the loss in revenue by reason of the application of the child tax credit to the territory's mirror

[35] Sec. 24(d)(1)(B)(ii).
[36] Rev. Proc. 2024–40, 2024–45 I.R.B. 1100.
[37] Sec. 24(h)(5). The nonrefundable portion of the child tax credit is not adjusted for inflation. For taxable years beginning after December 31, 2025, there is no separately stated maximum amount of the additional child tax credit; however, the refundable credit may not exceed the total amount of the credit of $1,000 for taxable years beginning after December 31, 2025.
[38] Sec. 3402(f)(1)(C).
[39] An individual who is a qualifying child for purposes of the dependent rules under section 152, but not a qualifying child for purposes of the child tax credit (e.g., a child who is age 17 or 18, a full-time student under age 24, or a child without a valid SSN) is eligible to be a qualifying dependent for purposes of the $500 nonrefundable credit for other dependents. For taxable years beginning after December 31, 2025, there is no tax credit for other dependents.

Code for the taxable year.[40] This amount is determined by the Secretary based on information provided by the government of the territory.

No child tax credit under the Internal Revenue Code is permitted for any resident of a mirror Code territory with respect to whom a child tax credit is allowed against income taxes of the territory.[41]

Puerto Rico

Bona fide residents of Puerto Rico may claim an additional child tax credit up to the maximum amount[42] from the U.S. Treasury under the alternative formula, but determined without regard to the three-child limitation, by filing a return with the Internal Revenue Service ("IRS").[43]

Residents of Puerto Rico claim the additional child tax credit under the alternative formula by filing a Form 1040–SS or Form 1040–PR with the IRS.

American Samoa

The Secretary is directed to make payments to American Samoa in an amount estimated by the Secretary as being equal to the aggregate benefits that would have been provided to residents of American Samoa if the U.S. child tax credit had been in effect in American Samoa (and had been applied as if American Samoa were the United States) in that taxable year.[44]

The provision prohibits the Secretary from making these payments unless American Samoa has a plan approved by the Secretary to promptly distribute the payments to its residents. For years with respect to which American Samoa has an approved plan, no child tax credit under the Internal Revenue Code is permitted for any person who is eligible for a payment under the plan. If American Samoa does not have a plan in place for a taxable year, a bona fide resident of American Samoa may claim a child tax credit by filing a return with the IRS under rules similar to those for Puerto Rico, described above.

Tax exemption for certain organizations

Section 501(a) exempts certain organizations from Federal income tax. Such organizations include: (1) tax-exempt organizations described in section 501(c) (including, among others, 501(c)(3) charitable organizations and section 501(c)(4) social welfare organizations); (2) religious and apostolic organizations described in section 501(d); and (3) trusts forming part of a pension, profit-sharing, or stock bonus plan of an employer described in section 401(a).

A religious and apostolic organization is described in section 501(d) if the organization has a common treasury or community treasury. The organization may engage in business for the common benefit of its members, but only if the members include their entire pro rata shares of the taxable income of the organization for the year in their gross income (at the time of filing their returns), re-

[40] Sec. 24(k)(1).
[41] Sec. 24(k)(2).
[42] This amount is $1,700 for taxable years beginning in 2025. Rev. Proc. 2024–40, 2024–45 I.R.B. 1100.
[43] Sec. 24(k)(2)(B).
[44] Sec. 24(k)(3).

gardless of whether such shares are distributed. Any amount included in the gross income of a member is treated as a dividend.[45]

REASONS FOR CHANGE

The Committee believes that it is important to provide an increased tax benefit for families raising children. The Committee believes that making current child tax credit policy permanent and providing a temporary expansion of the child tax credit is the best way to achieve this goal.

The Committee believes that requiring taxpayers and qualifying children to provide Social Security numbers to claim the child tax credit is important in ensuring that the credits go only to American families who are in full compliance with tax and immigration laws.

EXPLANATION OF PROVISION

The provision temporarily increases the maximum child tax credit to $2,500 for taxable years beginning after December 31, 2024, and before December 31, 2028.

For taxable years beginning after December 31, 2028, the maximum child tax credit will revert to a permanent amount of $2,000. This amount is indexed for inflation in taxable years beginning after 2028. The inflation adjustment is the percentage by which chained CPI for the preceding calendar year exceeds the chained CPI for 2024.

The provision makes permanent the maximum amount of the additional child tax credit per qualifying child of $1,400 adjusted for inflation ($1,700 in 2025).[46] The provision also makes permanent the earned income threshold of $2,500 for purposes of the earned income formula. The provision treats any amount treated as a dividend received under section 501(d) as earned income which is taken into account in computing taxable income for the taxable year.

The provision makes permanent the income phaseout threshold amounts of $400,000 for taxpayers filing jointly and $200,000 for all other taxpayers.

Under the provision, the $500 nonrefundable credit for each dependent of the taxpayer other than a qualifying child is permanent. This credit is not adjusted for inflation.

Under the provision, the SSN of the taxpayer, the taxpayer's spouse (if married filing jointly), and the qualifying child must appear on the return. The SSN for each individual must be issued before the due date of the return. Each SSN also must be issued to a citizen or national of the United States or pursuant to a provision of the Social Security Act relating to the lawful admission for employment in the United States.[47]

The provision applies rules similar to the rules of section 32(d), meaning married individuals must file a joint return in order to receive the child tax credit. Marital status is determined under sec-

[45] Sec. 501(d).

[46] The inflation adjustment is the percentage by which the chained CPI for the preceding calendar year exceeds the chained CPI for 2017.

[47] See sec. 205(c)(2)(B)(i)(I) (or that portion of subclause (III) that relates to subclause (I)) of the Social Security Act.

tion 7703(a).[48] Under the provision, an individual is not treated as married if the individual (1) is married and does not file a joint return for the taxable year, (2) resides with a qualifying child for more than one-half of the taxable year, and (3) either does not have the same principal place of abode as their spouse during the last six months of the taxable year or has a decree, instrument, or agreement (other than a decree of divorce) described in section 121(d)(3)(C) with respect to their spouse and is not a member of the same household of their spouse by the end of the taxable year.[49]

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2024.

EXTENSION OF DEDUCTION FOR QUALIFIED BUSINESS INCOME AND PERMANENT ENHANCEMENT (SEC. 110005 OF THE BILL AND SEC. 199A OF THE CODE)

PRESENT LAW

In general

For taxable years beginning after December 31, 2017, and before January 1, 2026, certain individuals, trusts, and estates may deduct 20 percent of qualified business income from a partnership, S corporation, or sole proprietorship, as well as 20 percent of aggregate qualified real estate investment trust ("REIT") dividends and qualified publicly traded partnership income.[50] Special rules apply to determine the deduction attributable to domestic production activities of specified agricultural or horticultural cooperatives.[51]

The qualified business income deduction is subject to several limitations. The deduction may not exceed 20 percent of taxable income (reduced by net capital gain).[52] Limitations based on W–2 wages and capital investment phase in over a range of income above threshold amount of taxable income.[53] A disallowance of the deduction for income of specified service trades or businesses[54] also

[48] Sec. 32(d)(2)(A).
[49] Sec. 32(d)(2)(B).
[50] Sec. 199A(b)(2) and (b)(1)(B). See also Treas. Reg. secs. 1.199A–1 through 1.199A–7.
[51] For taxable years beginning after December 31, 2017, and before January 1, 2026, a specified agricultural or horticultural cooperative generally may deduct nine percent of the lesser of the cooperative's qualified production activities income or taxable income (determined without regard to the cooperative's section 199A(g) deduction and reduced by certain payments or allocations to patrons) for the taxable year. The deduction is limited to 50 percent of W–2 wages that are paid by the cooperative during the calendar year that ends in such taxable year and are properly allocable to domestic production gross receipts. Sec. 199A(g). See also Treas. Reg. secs. 1.199A–8 through 1.199A–12.
[52] Sec. 199A(a)(2). For this purpose, taxable income is computed without regard to the deduction allowable under the provision. Sec. 199A(e)(1).
[53] For a taxpayer with taxable income above the threshold, the taxpayer is allowed a deductible amount for each qualified trade or business equal to the lesser of (1) 20 percent of the qualified business income with respect to such trade or business, or (2) the greater of (a) 50 percent of the W–2 wages paid with respect to the qualified trade or business, or (b) the sum of 25 percent of the W–2 wages paid with respect to the qualified trade or business plus 2.5 percent of the unadjusted basis immediately after acquisition of all qualified property of the qualified trade or business. Sec. 199A(b)(2).
[54] A specified service trade or business means any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or own-

Continued

phases in over a range of income above the threshold amount of taxable income. Both the W–2 and capital investment and specified service trade or business limits are subject to the threshold amounts and phase-in ranges below for 2025.[55]

3Filing Status	2025 Threshold Amount[56]	2025 Phase-in Range Amount
Married filing jointly	$394,600	$494,600
Married filing separately	$197,300	$247,300
Other returns	$197,300	$247,300

The taxpayer's deduction for qualified business income is not allowed in computing adjusted gross income; instead, the deduction is allowed in computing taxable income.[57] The deduction is available to individuals regardless of whether they itemize their deductions.[58]

Qualified business income

In general

Qualified business income is determined for each qualified trade or business of the taxpayer. For any taxable year, qualified business income is the net amount of qualified items of income, gain, deduction, and loss attributable to the qualified trade or business of the taxpayer.[59] A taxpayer includes qualified items of income, gain, deduction, and loss only to the extent those items are included or allowed to determine taxable income for the taxable year.[60] Items are treated as qualified items of income, gain, deduction, and loss only to the extent they are effectively connected with the conduct of a trade or business within the United States.[61]

Qualified items of income, gain, deduction, and loss exclude:

1. any item taken into account in determining net capital gain or net capital loss,
2. dividends, income equivalent to a dividend, or payments in lieu of dividends,
3. interest income other than that which is properly allocable to a trade or business,
4. the excess of gain over loss from certain commodities transactions,[62]

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ers, or which involves the performance of services that consist of investing and investment management, trading, or dealing in securities, partnership interests, or commodities. Sec. 199A(d)(2).

[55] Sec. 199A(b)(3) and (d)(3).

[56] Sec. 2.27 of Rev. Proc. 2024–40, 2024–45 I.R.B., November 4, 2024. The threshold amount is adjusted for inflation in taxable years beginning after 2018. Sec. 199A(e)(2).

[57] Sec. 62(a).

[58] Sec. 63(b) and (d).

[59] Qualified business income excludes qualified REIT dividends and qualified publicly traded partnership income. Sec. 199A(c)(1).

[60] Sec. 199A(c)(3)(A)(ii).

[61] For this purpose, section 864(c) is applied by substituting "qualified trade or business (within the meaning of section 199A)" for "nonresident alien individual or a foreign corporation" or for "a foreign corporation," each place they appear. Sec. 199A(c)(3)(A). In the case of an individual with qualified business income from sources within the Commonwealth of Puerto Rico, if all such income for the taxable year is taxable under section 1 (income tax rates for individuals), then the term "United States" is considered to include Puerto Rico for purposes of determining the individual's qualified business income. Sec. 199A(f)(1)(C).

[62] The exclusion does not apply to commodities transactions entered into in the normal course of the trade or business or with respect to stock in trade or property held primarily for sale to customers in the ordinary course of the trade or business, property used in the trade or business, or supplies regularly used or consumed in the trade or business.

5. the excess of foreign currency gains over foreign currency losses from section 988 transactions other than transactions directly related to the business needs of the business activity,

6. net income from notional principal contracts other than clearly identified hedging transactions that are treated as ordinary (i.e., not treated as capital assets),

7. any amount received from an annuity that is not received in connection with the trade or business, and

8. any item of deduction or loss properly allocable to any of the preceding items.[63]

Qualified business income also does not include any amount paid by an S corporation that is treated as reasonable compensation of the taxpayer.[64] Similarly, qualified business income does not include any guaranteed payment for services rendered with respect to the trade or business,[65] and, to the extent provided in regulations, does not include any amount paid or incurred by a partnership to a partner, acting other than in his or her capacity as a partner, for services.[66]

If the net amount of qualified business income from all qualified trades or businesses during the taxable year is a loss, then such loss is carried forward and in the next taxable year is treated as a loss from a qualified trade or business.[67] Any deduction that would otherwise be allowed in a subsequent taxable year with respect to the taxpayer's qualified trades or businesses is reduced by 20 percent of any carryover qualified business loss.

Qualified trade or business

A qualified trade or business means any trade or business other than a specified service trade or business and other than the trade or business of performing services as an employee.[68]

Partnerships and S corporations

In the case of a partnership or S corporation, the section 199A deduction is determined at the partner or shareholder level.[69] Each partner in a partnership takes into account the partner's allocable share of each qualified item of income, gain, deduction, and loss, and for purposes of the limitation described above, is treated as having W–2 wages and unadjusted basis of qualified property for the taxable year equal to the partner's allocable share of W–2 wages and unadjusted basis of qualified property of the partnership. The partner's allocable share of W–2 wages and unadjusted basis of qualified property are determined in the same manner as the partner's allocable share of wage expenses and depreciation, respectively. Similarly, each shareholder of an S corporation takes into account the shareholder's pro rata share of each qualified item of income, gain, deduction, and loss of the S corporation, and is treated as having W–2 wages and unadjusted basis of qualified property for the taxable year equal to the shareholder's pro rata

[63] Sec. 199A(c)(3)(B).
[64] Sec. 199A(c)(4).
[65] Described in sec. 707(c).
[66] Described in sec. 707(a).
[67] Sec. 199A(c)(2).
[68] Sec. 199A(d)(1).
[69] Sec. 199A(f)(1).

share of W–2 wages and unadjusted basis of qualified property of the S corporation.

REASONS FOR CHANGE

The Committee strongly believes in supporting small business owners in the United States, most of whom conduct their businesses in the form of partnerships, S corporations, or sole proprietorships. Furthermore, the Committee believes that the section 199A deduction is necessary to ensure that closely held businesses are competitive with publicly traded corporations. The Committee believes that making the section 199A deduction permanent would give businesses increased certainty, leading to greater overall investment and employment.

Under current law, the phase-in of the W–2 and capital investment limit and the specified service trade or business limit can result in marginal tax rates of close to 70 percent for taxpayers with incomes in the phase-in range.[ ] The Committee believes that these limitations should be modified so as not to result in such high marginal tax rates.

The Committee believes that the exclusion of regulated investment company dividends from the section 199A deduction places business development companies that have elected to be treated as regulated investment companies at a competitive disadvantage relative to S corporations with a trade or business of making loans.

EXPLANATION OF PROVISION

The provision makes five modifications to the deduction for qualified business income.

The first modification makes permanent the deduction for qualified business income (including the deduction for REIT dividends and qualified publicly traded partnership income) and the deduction for income attributable to the domestic production activities of specified agricultural or horticultural cooperatives.

The second modification increases three percentages used to calculate the deduction for qualified business income from 20 percent to 23 percent. The provision increases the percentage of the excess of taxable income over net capital gain used in determining the maximum allowable deduction for qualified business income from 20 percent to 23 percent. The provision increases the percentage of the aggregate amount of the taxpayer's qualified REIT dividends and qualified publicly traded partnership income for the taxable year used to calculate the combined qualified business income amount from 20 percent to 23 percent. Finally, the provision increases the deductible amount for each qualified trade or business from 20 percent to 23 percent of the taxpayer's qualified business income with respect to that trade or business, before applying any applicable modifications.

The third modification replaces the existing phase-in of W–2 wages, capital investment, and specified service trades or businesses with a two-step process for taxpayers whose taxable income exceeds the threshold amount. Similar to current law, step one re-

[ ]See Libin Zhang, *Marginal Income Tax Rates of the Passthrough Business Deduction*, 159 Tax Notes 1139 (May 21, 2018).

quires a taxpayer to limit the deductible amount for each qualified trade or business (i.e., 23 percent of qualified business income) to the greater of W–2 wages or W–2 wages and capital investment for each trade or business. Unlike current law, however, there is no phase in of the W–2 wages and capital investment limitation over a fixed dollar phase-in range. Rather, the taxpayer compares the sum of the deductible amounts for each qualified trade or business in step one to a new phase-in rule in step two. Under step two, the taxpayer (1) takes 23 percent of qualified business income from all trades or businesses (including specified service trades or businesses) without regard to the W–2 wages and capital limitation and (2) reduces the amount in (1) by a limitation phase-in amount equal to 75 percent of the excess of taxable income over the threshold amount. The taxpayer then compares the aggregate deductible amounts under steps one and two, and includes the greater of the two amounts in combined qualified business income.[70]

The fourth modification allows a taxpayer to include qualified BDC interest dividends in the aggregated qualified REIT dividends and qualified publicly-traded partnership income used to calculate the combined qualified business amount. The provision defines a qualified BDC interest dividend as any dividend received from a business development company [71] that has elected to be treated as a regulated investment company,[72] to the extent that the dividend is attributable to that company's net interest income derived from a qualifying trade or business. The provision also excludes qualified BDC interest dividends from the calculation of qualified business income for a qualified trade or business.

The fifth modification indexes the threshold amounts for inflation for taxable years beginning after 2025.

EFFECTIVE DATE

The five modifications in this provision apply to taxable years beginning after December 31, 2025.

EXTENSION OF INCREASED ESTATE AND GIFT TAX EXEMPTION AMOUNTS AND PERMANENT ENHANCEMENT (SEC. 110006 OF THE BILL AND SEC. 2010 OF THE CODE)

PRESENT LAW

Gift, estate, and generation-skipping transfer taxes

A gift tax generally is imposed on any transfer of property by gift by a U.S. citizen or resident,[73] and an estate tax generally is im-

[70] For example, assume that a taxpayer's (1) taxable income is $483,900, (2) threshold amount is $383,900, (3) and qualified business income from one specified service trade or business is $700,000. Under step one, the taxpayer's aggregate deduction is $0 because the taxpayer does not receive any qualified business income from a qualified trade or business. Under step two, the taxpayer's aggregate deduction is $86,000 [($700,000 qualified business income * 23 percent) − (75 percent * ($483,900 taxable income − $383,900 threshold amount))]. The taxpayer compares the aggregate deductible amounts under step one ($0) to step two ($86,000) and applies the larger of the two amounts (in this case $86,000).

[71] As defined in section 2(a) of the Investment Company Act of 1940.

[72] Sec. 851(a).

[73] Sec. 2501.

posed on the taxable estate of any person who is a U.S. citizen or resident at the time of death.[74]

The estate and gift taxes are unified with a top tax rate of 40 percent and, under a temporary provision enacted as part of Public Law 115–97, a $10 million inflation-indexed lifetime exemption for decedents dying and gifts made after December 31, 2017, and before January 1, 2026.[75] Accordingly, the first $10 million (plus inflation) of the aggregate of taxable gifts and the gross estate is not subject to gift or estate tax. The inflation adjustment is determined using a base year of 2010. For 2025, the exemption amount is $13.99 million.

For decedents dying and gifts made after 2025, the estate and gift tax exemption is an inflation-indexed $5 million (again with a base year of 2010).[76] For 2026, the projected exemption amount is $7.14 million.

Exemption amounts used during life to offset gift tax reduce the amount of exemption that remains at death to offset the decedent's estate tax. Surviving spouses generally are permitted to use the unused portion of a predeceased spouse's estate and gift tax exemption (sometimes referred to as exemption portability).[77]

A separate transfer tax is imposed on generation-skipping transfers in addition to any estate or gift tax imposed on such transfers.[78] This tax generally is imposed on transfers, whether made directly or by trust or similar arrangement, to a beneficiary more than one generation below that of the transferor. The generation-skipping transfer tax is computed using a flat rate equal to the top tax rate applied to estates[79] and an exemption equal to the estate and gift tax exemption in effect for the taxable year, reduced by amounts of exemption allocated by the transferor to generation-skipping transfers in prior taxable years.[80] There is no spousal exemption portability for the generation-skipping transfer tax exemption.

REASONS FOR CHANGE

The Committee believes the Federal gift, estate, and generation-skipping transfer taxes generally harm taxpayers and the economy and therefore should apply neither often nor to many taxpayers. A tax on capital, such as the estate tax, motivates wealth holders to reduce savings and increase spending during life, rather than passing it to the next generation, ultimately increasing the consumption gap between the wealthy and the poor. A tax on capital also causes investors to provide less capital to workers, thereby reducing wages in the long run.

The Committee is particularly concerned about the effect of the estate tax on the owners of farms and family businesses, which create jobs and support our economy. The estate tax hits such entre-

[74] Sec. 2001.
[75] The exemption is granted by means of a credit equivalent to a $10 million exemption. See sec. 2010(c)(1).
[76] If the exemption amount in effect at a decedent's death is less than the exemption amount in effect during one or more years of the decedent's life, generally there is no "clawback" of the higher exemption amount used during life to offset gift tax. See Treas. Reg. sec. 20.2010–1(c).
[77] Sec. 2010(c)(2)(B).
[78] Sec. 2601.
[79] Sec. 2641.
[80] Sec. 2631 and Treas. Reg. sec. 26.2632–1.

preneurs especially hard, forcing families of deceased owners to make the difficult decision to sell all or part of the farm or business or take out costly loans to satisfy the estate tax liability.

EXPLANATION OF PROVISION

The provision permanently increases the unified estate and gift tax exemption to an inflation-indexed $15 million for taxable years beginning after December 31, 2025.

Accordingly, the generation-skipping transfer tax exemption is also permanently increased to an inflation-indexed $15 million. The $15 million exemption amount is indexed for inflation with a base year of 2025. Accordingly, the exemption amount is $15 million for decedents dying and gifts made in calendar year 2026 and increases with inflation thereafter.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF INCREASED ALTERNATIVE MINIMUM TAX EXEMPTION AND PHASE-OUT THRESHOLDS (SEC. 110007 OF THE BILL AND SEC. 55 OF THE CODE)

PRESENT LAW

Individual alternative minimum tax

In general

An alternative minimum tax ("AMT") is imposed on an individual, an estate, or a trust in an amount by which the tentative minimum tax exceeds the regular income tax for the taxable year. For taxable years beginning in 2025, the tentative minimum tax is the sum of (1) 26 percent of so much of the taxable excess as does not exceed $239,100 ($119,550 in the case of a married individual filing a separate return), and (2) 28 percent of the remaining taxable excess. The breakpoints are indexed for inflation. The taxable excess is so much of the alternative minimum taxable income ("AMTI") as exceeds the exemption amount. The maximum tax rates on net capital gain and dividends used in computing the regular tax are used in computing the tentative minimum tax. AMTI is taxable income adjusted to take account of specified tax preferences and adjustments.

The exemption amounts for taxable years beginning in 2025 are: (1) $137,000 in the case of married individuals filing a joint return and surviving spouses; (2) $88,100 in the case of unmarried individuals (other than surviving spouses); (3) $68,500 in the case of married individuals filing separate returns; and (4) $30,700 in the case of an estate or a trust. For taxable years beginning in 2025, the exemption amounts are phased out by an amount equal to 25 percent of the amount by which the individual's AMTI exceeds (1) $1,252,700 in the case of married individuals filing a joint return and surviving spouses, (2) $626,350 in the case of married individuals filing separate returns and unmarried individuals (other than surviving spouses), and (3) $102,500 in the case of an estate or a trust. The amounts are indexed for inflation.

AMTI is the taxpayer's taxable income increased by certain preference items and adjusted by determining the tax treatment of certain items in a manner that negates the deferral of income resulting from the regular tax treatment of those items.

Exemption amounts and exemption phase-out thresholds after 2025

The AMT exemption amounts and phase-out thresholds for individuals, which were increased starting in 2018 by Public Law 115–97, decrease for taxable years beginning after December 31, 2025. In 2026 exemption amounts for individuals are projected to be (1) $109,800 in the case of married individuals filing a joint return and surviving spouses; (2) $70,600 in the case of unmarried individuals (other than surviving spouses); and (3) $54,900 in the case of married individuals filing separate returns. For 2026 the exemption amount phase-out thresholds for individuals are projected to be (1) $209,200 in the case of married individuals filing a joint return and surviving spouses, (2) $156,900 in the case of unmarried individuals (other than surviving spouses), and (3) $104,600 in the case of married individuals filing a separate return.

Preference items in computing AMTI

The minimum tax preference items are:

1. The excess of the deduction for percentage depletion over the adjusted basis of each mineral property (other than oil and gas properties) at the end of the taxable year.

2. The amount by which excess intangible drilling costs (that is, expenses in excess the amount that would have been allowable if amortized over a 10-year period) exceed 65 percent of the net income from oil, gas, and geothermal properties. This preference applies to independent producers only to the extent it reduces the producer's AMTI (determined without regard to this preference and the net operating loss deduction) by more than 40 percent.

3. Tax-exempt interest income on private activity bonds (other than qualified 501(c)(3) bonds, certain housing bonds, and bonds issued in 2009 and 2010) issued after August 7, 1986.

4. Accelerated depreciation or amortization on certain property placed in service before January 1, 1987.

5. Seven percent of the amount excluded from income under section 1202 (relating to gains on the sale of certain small business stock).

In addition, losses from any tax shelter farm activity or passive activities are not taken into account in computing AMTI.

Adjustments in computing AMTI

The adjustments that individuals must make to compute AMTI are:

6. Depreciation on property placed in service after 1986 and before January 1, 1999, is computed by using the generally longer class lives prescribed by the alternative depreciation system of section 168(g) and either (a) the straight-line method in the case of property subject to the straight-line method

under the regular tax or (b) the 150-percent declining balance method in the case of other property. Depreciation on property placed in service after December 31, 1998, is computed by using the regular tax recovery periods and the AMT methods described in the previous sentence. Depreciation on property acquired after September 10, 2001, which is allowed an additional allowance under section 168(k) for the regular tax is computed without regard to any AMT adjustments.

7. Mining exploration and development costs are capitalized and amortized over a 10-year period.

8. Taxable income from a long-term contract (other than a home construction contract) is computed using the percentage of completion method of accounting.

9. The amortization deduction allowed for pollution control facilities placed in service before January 1, 1999 (generally determined using 60-month amortization for a portion of the cost of the facility under the regular tax), is calculated under the alternative depreciation system (generally, using longer class lives and the straight-line method). The amortization deduction allowed for pollution control facilities placed in service after December 31, 1998, is calculated using the regular tax recovery periods and the straight-line method.

10. Miscellaneous itemized deductions (which are suspended through 2025) are not allowed.

11. Itemized deductions for State, local, and foreign real property taxes; State and local personal property taxes; State, local, and foreign income, war profits, and excess profits taxes; and State and local sales taxes are not allowed.

12. Deductions for interest on home equity loans are not allowed.

13. The standard deduction and the deduction for personal exemptions (which deduction is suspended through 2025) are not allowed.

14. The amount allowable as a deduction for circulation expenditures is capitalized and amortized over a three-year period.

15. The amount allowable as a deduction for research and experimentation expenditures from passive activities is capitalized and amortized over a 10-year period.

16. The regular tax rules relating to incentive stock options do not apply.

Other rules

The taxpayer's net operating loss deduction generally cannot reduce the taxpayer's AMTI by more than 90 percent of the AMTI (determined without the net operating loss deduction).

The alternative minimum tax foreign tax credit reduces the tentative minimum tax.

The various nonrefundable business credits allowed under the regular tax generally are not allowed against the AMT. Certain exceptions apply.

If an individual is subject to AMT in any year, the amount of tax exceeding the taxpayer's regular tax liability is allowed as a credit (the "AMT credit") in any subsequent taxable year to the extent the

taxpayer's regular tax liability exceeds his or her tentative minimum tax liability in such subsequent year. The AMT credit is allowed only to the extent that the taxpayer's AMT liability is the result of adjustments that are timing in nature. The individual AMT adjustments relating to itemized deductions and personal exemptions are not timing in nature, and no minimum tax credit is allowed with respect to these items.

An individual may elect to write off certain expenditures paid or incurred with respect of circulation expenses, research and experimental expenses, intangible drilling and development expenditures, development expenditures, and mining exploration expenditures over a specified period (three years in the case of circulation expenses, 60 months in the case of intangible drilling and development expenditures, and 10 years in case of other expenditures). The election applies for purposes of both the regular tax and the alternative minimum tax.

REASONS FOR CHANGE

The Committee believes that the requirement that taxpayers compute their income for purposes of both the regular income tax and the AMT is one of the most far-reaching complexities of the Code. The AMT is particularly burdensome for individuals with small businesses, because they often do not know whether they will be affected until they file their taxes and therefore must maintain reserves that cannot be used to invest in their businesses. Allowing the AMT exemption amounts and phase-out thresholds to decrease to their 2017 levels would ensnare millions of individuals and small-business owners in the AMT.

EXPLANATION OF PROVISION

The provision repeals the expiration of the Public Law 115–97 increase in the AMT exemption amounts and phase-out thresholds.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF LIMITATION ON DEDUCTION FOR QUALIFIED RESIDENCE INTEREST (SEC. 110008 OF THE BILL AND SEC. 163 OF THE CODE)

PRESENT LAW

Deductibility of home mortgage interest

As a general matter, personal interest is not deductible.[81] Qualified residence interest is not treated as personal interest and is allowed as an itemized deduction, subject to limitations.[82] For taxable years beginning after December 31, 2017, and before January 1, 2026, qualified residence interest means interest paid or accrued during the taxable year on acquisition indebtedness with respect to a qualified residence. For taxable years beginning after December

[81] Sec. 163(h)(1).
[82] Sec. 163(h)(2)(D) and (h)(3).

31, 2025, qualified residence interest means interest paid or accrued during the taxable year on acquisition indebtedness or home equity indebtedness with respect to a qualified residence. A qualified residence is the taxpayer's principal residence and one other residence of the taxpayer selected to be a qualified residence. A qualified residence may be a house, apartment, condominium, mobile home, boat, or similar property.

Acquisition indebtedness

Acquisition indebtedness is indebtedness which is incurred in acquiring, constructing, or substantially improving a qualified residence of the taxpayer and which secures the residence. In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, a taxpayer may treat no more than $750,000 of indebtedness as acquisition indebtedness ($375,000 in the case of a married individual filing separately). In the case of indebtedness incurred on or before December 15, 2017, this limitation is $1,000,000 ($500,000 in the case of a married individual filing separately).[83] For taxable years beginning after December 31, 2025, a taxpayer may treat up to $1,000,000 ($500,000 in the case of a married individual filing separately) of indebtedness as acquisition indebtedness, regardless of when the indebtedness was incurred.

Acquisition indebtedness also includes indebtedness from the refinancing of other acquisition indebtedness, but only to the extent of the balance of the refinanced indebtedness. For example, if the taxpayer incurs $200,000 of acquisition indebtedness to acquire a principal residence and pays down the debt to $150,000, a refinancing cannot increase the taxpayer's acquisition indebtedness with respect to the residence above $150,000.

Interest on acquisition indebtedness is deductible in computing alternative minimum taxable income.[84] However, in the case of a second residence, the acquisition indebtedness may only be incurred with respect to a house, an apartment, a condominium, or a mobile home that is not used on a transient basis.

Home equity indebtedness

Home equity indebtedness is indebtedness (other than acquisition indebtedness) secured by a qualified residence. For taxable years beginning after December 31, 2025, a taxpayer may treat up to $100,000 ($50,000 in the case of a married individual filing separately) of indebtedness as home equity indebtedness. However, the amount of home equity indebtedness with respect to a qualified residence may not exceed the fair market value of the residence reduced by the acquisition indebtedness with respect to it.

Interest on home equity indebtedness is not deductible in computing alternative minimum taxable income.

For taxable years beginning after December 31, 2025, interest on qualifying home equity indebtedness is deductible (up to the speci-

[83] Special rules apply in the case of indebtedness from refinancing existing acquisition indebtedness. Specifically, the $1,000,000 ($500,000 in the case of a married taxpayer filing separately) limitation continues to apply to any indebtedness incurred on or after December 15, 2017, to refinance qualified residence indebtedness incurred before that date to the extent the amount of the indebtedness resulting from the refinancing does not exceed the amount of the refinanced indebtedness.

[84] Sec. 56(b)(1)(B)(i) and (e).

fied limit) regardless of how the proceeds of the indebtedness are used. For example, the proceeds may be applied towards health costs and education expenses for the taxpayer's family members or any other personal expenses such as vacations, furniture, or automobiles. A taxpayer and a mortgage company may contract for the home equity indebtedness loan proceeds to be transferred to the taxpayer in a lump sum payment (e.g., a traditional mortgage) or a series of payments (e.g., a reverse mortgage); or, the lender may extend the borrower a line of credit up to a fixed limit over the term of the loan (e.g., a home equity line of credit).

Thus, for taxable years beginning after December 31, 2025, the aggregate limitation on a taxpayer's acquisition indebtedness and home equity indebtedness with respect to a principal residence and a second residence that may give rise to deductible interest is $1,100,000 ($550,000 for a married individual filing separately).

REASONS FOR CHANGE

The Committee believes that scaling back many of the existing tax incentives, including the home mortgage interest deduction, makes the tax system simpler and fairer for all families and individuals and allows for lower tax rates. The Committee further believes that preserving the limitations on this deduction enacted under Public Law 115–97 is consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.

EXPLANATION OF PROVISION

Under the provision, the $750,000 ($375,000 in the case of a married individual filing separately) limitation on acquisition indebtedness is made permanent, and the exclusion of interest on home equity indebtedness from the definition of qualified residence interest is made permanent.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF LIMITATION ON CASUALTY LOSS DEDUCTION (SEC. 110009 OF THE BILL AND SEC. 165(H) OF THE CODE)

PRESENT LAW

An individual taxpayer may claim an itemized deduction for a personal casualty loss.[85] If the loss is attributable to a disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the "Stafford Act"),[86] then the loss is deductible only to the extent of the sum of the individual's personal casualty gains plus the amount by which aggregate net disaster-related losses exceed 10 percent of the individual taxpayer's adjusted gross income.[87] In any taxable year

[85] Sec. 165(h).
[86] Sec. 165(h)(5).
[87] Sec. 165(h)(2). Personal casualty gains are reduced for this purpose by any gain used to offset any personal casualty loss which is not attributable to a disaster.

beginning after December 31, 2017, and before January 1, 2026, all other personal casualty losses are deductible only to the extent that the losses do not exceed the individual's personal casualty gains.

For individual taxpayers, personal casualty losses are losses of property not connected with a trade or business or a transaction entered into for profit, if such losses arise from fire, storm, shipwreck, or other casualty, or from theft.[88] Personal casualty gains are recognized gains from any involuntary conversion of property not connected with a trade or business or a transaction entered into for profit, if such gains arise from fire, storm, shipwreck, or other casualty, or from theft.[89] Personal casualty losses are deductible to the extent they exceed $100 per casualty.[90]

REASONS FOR CHANGE

The Committee believes that the permanent repeal of many existing tax incentives, including the deduction for personal casualty and theft losses, except in the case of Presidentially declared disasters, makes the tax system simpler and fairer for all families and individuals, and allows for lower tax rates. The Committee further believes that repeal of this provision is consistent with streamlining the Code, broadening the tax base, lowering rates, and growing the economy.

EXPLANATION OF PROVISION

Under the provision, the temporary limitation on personal casualty losses in section 165(h)(5) is made permanent.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

TERMINATION OF MISCELLANEOUS ITEMIZED DEDUCTION (SEC. 110010 OF THE BILL AND SEC. 67 OF THE CODE)

PRESENT LAW

An individual's taxable income is determined by adding together income from different sources such as personal services and investment and by subtracting permitted amounts.

All individuals are permitted to deduct from gross income (which is defined as all income from whatever source derived) amounts (colloquially referred to as "above-the-line" deductions) that are allowable in determining adjusted gross income.[91] These amounts include, for example, ordinary and necessary expenses of a trade or business and certain reimbursed expenses paid in connection with the performance of services as an employee.[92]

In determining taxable income, individuals are also allowed to deduct other amounts that are sometimes referred to as "below-the line" deductions. An individual who does not elect to itemize deductions is allowed a standard deduction and deductions for certain

[88] Sec. 165(c)(3)(B).
[89] Sec. 165(c)(3)(A).
[90] Sec. 165(h)(1).
[91] Secs. 61, 62.
[92] Secs. 62(a)(1), (a)(2)(A), 162(a).

other amounts listed in section 63(b) (sometimes referred to as "non-itemizer deductions," for example, the deduction for qualified business income).[93] Instead of taking a standard deduction, an individual may elect to subtract itemized deductions in computing taxable income.[94] Itemized deductions are all deductions allowable under chapter 1 of subtitle A of the Code other than above-the-line deductions, the standard deduction, and non-itemizer deductions.[95]

All itemized deductions other than those listed in section 67(b) are "miscellaneous itemized deductions." Deductions listed in section 67(b) (meaning deductions that are not miscellaneous itemized deductions) include the deduction for interest, the deduction for state, local, and foreign taxes, the charitable contribution deduction, and the deduction for medical expenses that exceed 7.5 percent of adjusted gross income. Miscellaneous itemized deductions include, among many other expenses, investment expenses, legal fees, and unreimbursed employee business expenses.[96]

Before 2018, miscellaneous itemized deductions were allowed, but only to the extent they exceeded two percent of a taxpayer's adjusted gross income.[97] Following the 2017 enactment of Public Law 115–97 miscellaneous itemized deductions are not allowed for taxable years beginning after December 31, 2017 and before January 1, 2026.

REASONS FOR CHANGE

The Committee believes that the permanent repeal of many existing complicated tax rules, including miscellaneous itemized deductions subject to the two-percent floor, makes the tax system simpler and fairer for all families and individuals, and allows for lower tax rates. The Committee further believes that the permanent repeal of miscellaneous itemized deductions is consistent with lowering rates and growing the economy.

EXPLANATION OF PROVISION

The provision makes permanent the Public Law 115–97 temporary repeal of miscellaneous itemized deductions.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

LIMITATION ON TAX BENEFIT OF ITEMIZED DEDUCTIONS (SEC. 110011 OF THE BILL AND SEC. 68 OF THE CODE)

PRESENT LAW

For any taxable year beginning after 2017 and before 2026, there is no overall limitation on the benefit of itemized deductions.

Before 2018, the total amount of itemized deductions, other than the deductions for medical expenses, investment interest, and cas-

[93] Sec. 63(b).
[94] Sec. 63(a), (e).
[95] Sec. 63(d).
[96] For a detailed description of all miscellaneous itemized deductions see IRS Publication 529, *Miscellaneous Deductions* (2020).
[97] Sec. 67(a).

ualty, theft or gambling losses, was limited for individual taxpayers whose adjusted gross income exceeded statutorily prescribed "applicable amounts."[98] The otherwise allowable amount of an individual taxpayer's itemized deductions for a taxable year was reduced by the lesser of three percent of the amount by which the taxpayer's adjusted gross income exceeded the applicable amount or 80 percent of the amount of the taxpayer's itemized deductions otherwise allowable for that year. This itemized deduction limitation was colloquially referred to as the "Pease limitation."

For 2017, the applicable amounts were $261,500 for an unmarried individual other than a head of household or a surviving spouse, $287,650 for a head of household, $313,800 for married individuals filing a joint return or for a surviving spouse, and $156,900 for married individuals filing a separate return. These amounts were indexed for inflation.

The Pease limitation becomes effective again for taxable years beginning after 2025.

Reasons for Change The Committee believes that the Pease limitation should not become effective again, because it was overly complicated and resulted in significantly higher implicit marginal tax rates for many households. However, the Committee believes that a simpler overall limitation on the benefit of itemized deductions is appropriate, in order to limit the disproportionate benefit that the highest-income households receive from these deductions.

EXPLANATION OF PROVISION

In place of the Pease limitation, the provision provides a limitation on the tax benefit of itemized deductions.

Under the provision, the amount of an individual's itemized deductions otherwise allowable for a taxable year is reduced by 2/37 of the lesser of the amount of itemized deductions otherwise allowable for the year or so much of the taxable income of the taxpayer for the year (determined without regard to the provision and increased by the amount of otherwise allowable itemized deductions) as exceeds that dollar amount at which the 37 percent rate bracket under section 1 begins in respect of the taxpayer.

The provision's limitation on the tax benefit of itemized deduction applies after the application of any other limitation on the allowance of any itemized deduction (such as the adjusted-gross-income-based limitation on the charitable contribution deduction).

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

TERMINATION OF QUALIFIED BICYCLE COMMUTING REIMBURSEMENT EXCLUSION (SEC. 110012 OF THE BILL AND SEC. 132(f)(8) OF THE CODE)

PRESENT LAW

For taxable years beginning before December 31, 2017, qualified bicycle commuting reimbursements of up to $20 per qualifying bicy-

[98] Sec. 68.

cle commuting month in a calendar year are excludible from an employee's gross income.[99] A qualifying bicycle commuting month is any month during which the employee regularly uses the bicycle for a substantial portion of the travel between the employee's residence and place of employment and during which the employee does not receive any qualified transportation fringe benefit for transportation in a commuter highway vehicle (in connection with travel between the employee's residence and place of employment), a transit pass, or qualified parking.[100]

A qualified bicycle commuting reimbursement for a calendar year is an employer reimbursement during the 15-month period beginning with the first day of the calendar year for reasonable expenses incurred by the employee during such calendar year for the purchase of a bicycle and bicycle improvements, repair, and storage, if the bicycle is regularly used for travel between the employee's residence and place of employment.[101]

Qualified bicycle commuting reimbursements that are excludible from gross income for income tax purposes are also excluded from wages for employment tax purposes.

For taxable years beginning after December 31, 2017, and before January 1, 2026, the exclusion from gross income and wages for qualified bicycle commuting reimbursements was temporarily repealed.[102]

REASONS FOR CHANGE

The Committee believes that the treatment of the employer's deduction for amenities provided to an employee that are primarily personal in nature, such as bicycle commuting benefits and not directly related to a trade or business, should be aligned with other similar taxable items.

EXPLANATION OF PROVISION

The provision terminates the exclusion for qualified bicycle commuting reimbursement for taxable years beginning after December 31, 2025.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF LIMITATION ON EXCLUSION AND DEDUCTION FOR MOVING EXPENSES (SEC. 110013 OF THE BILL AND SECS. 132(g) AND 217 OF THE CODE)

PRESENT LAW

Deduction for Moving Expenses

Individuals are permitted an above-the-line deduction for moving expenses paid or incurred during the taxable year in connection with the commencement of work by the taxpayer as an employee

[99] Secs. 132(a)(5), 132(f)(1)(D), and 132(f)(5)(F)(ii).
[100] Sec. 132(f)(5)(F)(iii).
[101] Sec. 132(f)(5)(F)(i).
[102] Pub. L. No. 115–97, sec. 11047, December 22, 2017.

or as a self-employed individual at a new principal place of work.[103] Moving expenses means only the reasonable expenses of moving household goods and personal effects from the former residence to the new residence and of traveling (including lodging) from the former residence to the new place of residence.[104] Moving expenses are deductible only if the move meets certain conditions related to distance from the taxpayer's former residence and the taxpayer's status as a full-time employee or as a self-employed individual performing services on a full-time basis in the new location.[105]

Special rules apply under section 217(g) in the case of a member of the Armed Forces of the United States. In the case of a member of the Armed Forces on active duty who moves pursuant to a military order and incident to a permanent change of station, the limitations related to distance from the taxpayer's previous residence and status as a full-time employee (or self-employed individual performing services on a full-time basis) in the new location do not apply.[106] Additionally, any moving and storage expenses that are furnished in kind (or for which reimbursement or an allowance is provided) to the member of the Armed Forces, their spouse, or dependents are excluded from gross income.[107] Rules also apply to exclude amounts furnished to the spouse and dependents of a member of the Armed Forces in the event that such individuals move to a location other than to where the member of the Armed Forces is moving.[108]

Section 217(k) eliminates the deduction for moving expenses for taxable years 2018 through 2025. However, during that period, the subsection retains the deduction for moving expenses and the rules providing for exclusions of amounts attributable to in-kind moving and storage expenses (and reimbursements or allowances for these expenses) for members of the Armed Forces (or their spouses or dependents) on active duty who move pursuant to a military order and incident to a permanent change of station.

EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT

Qualified moving expense reimbursements are excluded from an employee's gross income,[109] and are defined as any amount received (directly or indirectly) by an individual from an employer as a payment for (or reimbursement of) expenses which would be deductible as moving expenses under section 217 if directly paid or incurred by the individual.[110] However, any amount actually deducted by the individual is not eligible for this exclusion. Qualified moving expense reimbursements that are excludible from gross income for income tax purposes are also excluded from wages for employment tax purposes.

For taxable years beginning after December 31, 2017, and before January 1, 2026, section 132(g)(2) repeals the exclusion from gross

[103] Secs. 62(a)(15) and 217(a).
[104] Sec. 217(b)(1).
[105] Sec. 217(c).
[106] Sec. 217(g)(1).
[107] Sec. 217(g)(2).
[108] Sec. 217(g)(3).
[109] Sec. 132(a)(6) and 132(g).
[110] Sec. 132(g)(1).

income and wages for qualified moving expense reimbursements except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order and incident to a permanent change of station.

REASONS FOR CHANGE

The Committee believes that the repeal of many existing tax incentives, including the deduction for qualified moving expenses and the exclusion for qualified moving expense reimbursements, makes the tax system simpler and fairer for all families and individuals, and allows for lower tax rates. The Committee further believes that permanent repeal of these tax incentives is consistent with streamlining the Code, broadening the tax base, lowering rates, and growing the economy.

However, the Committee recognizes that special circumstances apply to members of the Armed Forces, and thus the provision retains present law benefits relating to the moving expenses and moving expense reimbursements of these taxpayers.

EXPLANATION OF PROVISION

The provision would permanently repeal the deduction for moving expenses, except in the case of a member of the Armed Forces (or their spouse or child) to whom section 217(g) applies.

The provision would permanently repeal the qualified moving expense reimbursement exclusion except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order and incident to a permanent change of station.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF LIMITATION ON WAGERING LOSSES (SEC. 110014 OF THE BILL AND SEC. 165 OF THE CODE)

PRESENT LAW

Losses sustained during the taxable year on wagering transactions are allowed as a deduction only to the extent of the gains during the taxable year from such transactions.[111] For taxable years beginning after December 31, 2017, and before January 1, 2026, the term "losses from wagering transactions" as used in section 165(d) includes any deduction otherwise allowable under chapter 1 of the Code incurred in carrying on any wagering transaction. Thus, for such taxable years the limitation on losses from wagering transactions applies not only to the actual costs of wagers but also to other expenses incurred in connection with gambling activity (for instance, the otherwise deductible costs of travel to and from a casino).

[111] Sec. 165(d).

REASONS FOR CHANGE

The Committee believes that the scope of the limitation on wagering losses should continue to cover expenses incurred in the conduct of the individual's gambling activity, so that the general taxpaying public does not indirectly subsidize the costs of others' gambling.

EXPLANATION OF PROVISION

Under the provision, the clarification of the term "losses from wagering transactions" as used in section 165(d) is made permanent. Therefore, in the case of any taxable year beginning after December 31, 2017, such term includes any deduction otherwise allowable under chapter 1 of the Code incurred in carrying on any wagering transaction.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF INCREASED LIMITATION ON CONTRIBUTIONS TO ABLE ACCOUNTS AND PERMANENT ENHANCEMENT (SEC. 110015 OF THE BILL AND SEC. 529A OF THE CODE)

PRESENT LAW

Qualified ABLE programs

The Code provides for tax-favored savings programs intended to benefit disabled individuals, known as qualified ABLE programs.[112] A qualified ABLE program is a program established and maintained by a State or agency or instrumentality thereof. A qualified ABLE program must meet the following conditions: (1) Under the provisions of the program, contributions may be made to an account (an "ABLE account") established for the purpose of meeting the qualified disability expenses of the designated beneficiary of the account; (2) the program must limit a designated beneficiary to one ABLE account; and (3) the program must meet certain other requirements discussed below.

Designated beneficiaries and eligible individuals

A designated beneficiary of an ABLE account is the owner of the ABLE account. A designated beneficiary generally must be an eligible individual (discussed below) at the time the ABLE account is established. An ABLE account may be transferred to a successor designated beneficiary who is a member of the same family as the original designated beneficiary. For this purpose, a member of the family includes the original designated beneficiary's brother, sister, stepbrother, or stepsister. In the case of such a transfer, the successor designated beneficiary must be an eligible individual at the time of transfer.

An eligible individual is an individual either (1) for whom a disability certification has been filed with the Secretary for the taxable year, or (2) who is entitled to Social Security Disability Insur-

[112] Sec. 529A.

ance (SSDI) benefits or Supplemental Security Income (SSI) benefits[113] based on blindness or disability, and such blindness or disability occurred before the individual attained age 26 (or, for taxable years beginning after December 31, 2025, age 46). A disability certification means a certification to the satisfaction of the Secretary, made by the eligible individual or the parent or guardian of the eligible individual, that the individual either (1) has a medically determinable physical or mental impairment, which results in marked and severe functional limitations and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, or (2) is blind (within the meaning of section 1614(a)(2) of the Social Security Act). Such blindness or disability must have occurred before the date the individual attained age 26 (or, for taxable years beginning after December 31, 2025, age 46). The certification must include a copy of the diagnosis of the individual's impairment and be signed by a licensed physician.[114]

Tax treatment and additional requirements

A qualified ABLE program is generally exempt from income tax but is subject to the taxes imposed on the unrelated business income of tax-exempt organizations.[115]

Contributions to an ABLE account must be made in cash and are not deductible for Federal income tax purposes. Except in the case of a rollover contribution from another ABLE account, an ABLE account must not receive aggregate contributions during a taxable year in excess of the $10,000 amount under section 2503(b) of the Code (the annual gift tax exclusion), which is indexed for inflation using a cost-of-living adjustment with a base year of 1997. For 2025, the annual gift tax exclusion is $19,000.[116]

Until January 1, 2026, if the designated beneficiary is an employee for whom no contribution during the taxable year is made to a tax-advantaged defined contribution plan, a section 403(b) plan, or a governmental section 457 plan, the beneficiary may contribute to his or her ABLE account the lesser of the beneficiary's compensation included in gross income or an amount equal to the poverty line for a one-person household for the preceding calendar year. The beneficiary may make such a contribution regardless of whether it increases the total amount contributed (by the beneficiary or others) for the taxable year above the amount determined under section 2503(b).

In addition to the foregoing contribution limitations, a qualified ABLE program must provide adequate safeguards to ensure that ABLE account contributions do not exceed the limit imposed on accounts under the qualified tuition program of the State maintaining the qualified ABLE program.[117]

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[113] These are benefits under Title II and Title XVI, respectively, of the Social Security Act.

[114] No inference may be drawn from a disability certification under section 529A for purposes of eligibility for SSDI, SSI, or Medicaid benefits.

[115] See sec. 511.

[116] If contributions to an ABLE account exceed the annual limit, an excise tax in the amount of six percent of the excess contribution to such account is imposed on the designated beneficiary. Sec. 4973. Such tax does not apply in the event that the trustee of the account makes a corrective distribution of the excess amount by the due date (including extensions) of the designated beneficiary's tax return for the taxable year of the excess contribution.

[117] See sec. 529(b)(6).

A qualified ABLE program may permit a designated beneficiary to direct (directly or indirectly) the investment of any contributions (or earnings thereon) no more than two times in any calendar year and must provide separate accounting for each designated beneficiary. A qualified ABLE program may not allow any interest in the program (or any portion thereof) to be used as security for a loan.

A distribution from an ABLE account is generally includible in the distributee's income to the extent it consists of earnings on the account.[118] However, distributions from an ABLE account in a taxable year are excludable from income to the extent they do not exceed the qualified disability expenses (discussed below) of the designated beneficiary for the taxable year. If distributions from an ABLE account exceed such qualified disability expenses, a pro rata portion of the distributions is excludable from income. The portion of any distribution that is includible in income is subject to an additional 10-percent tax unless the distribution is made after the death of the beneficiary.

Amounts in an ABLE account may be rolled over without income tax liability to another ABLE account for the same beneficiary[119] or another ABLE account for the designated beneficiary's brother, sister, stepbrother, or stepsister who is also an eligible individual. Once an ABLE account has been established by a designated beneficiary, no account subsequently established by such beneficiary shall be treated as an ABLE account, except in the case of a rollover (in which case the contributor ABLE account must be closed within 60 days of the rollover).

A contribution to an ABLE account is treated as a completed gift of a present interest to the designated beneficiary. Such contributions qualify for the per-donee annual gift tax exclusion ($19,000 for 2025) and, to the extent of such exclusion, are also exempt from the generation-skipping transfer ("GST") tax. A distribution from an ABLE account to the designated beneficiary is not subject to gift tax or GST tax.

Qualified disability expenses

As described above, distributed earnings from an ABLE account are excluded from income only to the extent total distributions do not exceed the qualified disability expenses of the designated beneficiary. For this purpose, qualified disability expenses are any expenses related to the designated beneficiary's blindness or disability which are made for the benefit of the designated beneficiary. Such expenses include expenses for the following: education, housing, transportation, employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, legal fees, expenses for oversight and monitoring, funeral and burial expenses, and other expenses, which are approved by the Secretary under regulations and consistent with the purposes of section 529A.

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[118] The rules of section 72 apply in determining the portion of a distribution that consists of earnings.

[119] For instance, if a designated beneficiary were to relocate to a different State.

Transfer to State

Upon death of the designated beneficiary, subject to any outstanding payments due for qualified disability expenses incurred by the designated beneficiary, a State may file a claim for payment of amounts remaining in the designated beneficiary's account. Such claim may not exceed the total medical assistance paid for the designated beneficiary after the establishment of the ABLE account under the State's Medicaid plan established under title XIX of the Social Security Act, net of any premiums paid from the ABLE account or by or on behalf of the beneficiary to such State's Medicaid Buy-In program.[120]

Treatment of ABLE accounts under Federal programs

Any amounts in an ABLE account, any contributions to such account, and any distributions for qualified disability expenses shall be disregarded for purposes of determining the designated beneficiary's eligibility to receive, or the amount of, any assistance or benefit authorized by any Federal means-tested program.[121] However, in the case of the SSI program, a distribution from an ABLE account for housing expenses is not disregarded, nor are amounts in an ABLE account in excess of $100,000. If an individual's ABLE account balance exceeds $100,000, such individual's SSI benefits shall not be terminated but instead shall be suspended until such time as the individual's resources fall below $100,000. However, such suspension shall not be taken into account for purposes of Medicaid eligibility.

REASONS FOR CHANGE

The Committee believes it is important to reward work and encourage savings among individuals with disabilities, who will then be better placed to live financially independent and self-directed lives. Therefore, the Committee believes that the contribution limits for ABLE accounts should continue to allow individuals with disabilities who earn income to contribute a portion of those funds to ABLE accounts, above and beyond the contributions that are made on their behalf by family members and others.

EXPLANATION OF PROVISION

The provision makes permanent the ability of a designated beneficiary who is an employee (and for whom no contribution during the taxable year is made to a tax-advantaged defined contribution plan, a section 403(b) plan, or a governmental section 457 plan) to contribute to his or her ABLE account the lesser of his or her compensation included in gross income or an amount equal to the poverty line for a one-person household for the preceding calendar year. The beneficiary may make such a contribution regardless of whether it increases the total amount contributed (by the beneficiary or others) for the taxable year above the amount determined under section 2503(b).

Under the provision, the maximum annual contribution limit for an ABLE account (not including the employment-related contribu-

[120] Sec. 529A(f).
[121] Pub. L. No. 113–295, div. B, sec. 103, December 19, 2014.

tions made by the designated beneficiary) is equal to the annual gift tax exclusion specified in section 2503(b) with a modified inflation adjustment. Whereas section 2503(b) adjusts the $10,000 base amount for inflation with a base year of 1997,[122] under the provision the $10,000 base amount is adjusted for inflation with a base year of 1996. The extra year of inflation increases the annual contribution limit above what it would be under present law.

EFFECTIVE DATE

The provision is generally effective for contributions made after December 31, 2025. The modified inflation adjustment is effective for taxable years beginning after December 31, 2025.

EXTENSION OF SAVERS CREDIT ALLOWED FOR ABLE CONTRIBUTIONS (SEC. 110016 OF THE BILL AND SEC. 25B OF THE CODE)

PRESENT LAW

Qualified ABLE programs

For present law regarding qualified ABLE programs, see the present law description for the provision "Extension of Increased Limitation on Contributions to ABLE Accounts and Permanent Enhancement" (section 110015 of the bill), above.

Saver's Credit

Eligible individuals may claim a nonrefundable tax credit (the "saver's credit") for qualified retirement savings contributions to certain retirement accounts.[123] The maximum annual contribution eligible for the credit is $2,000 per individual. The credit rate depends on the adjusted gross income ("AGI") of the taxpayer. For this purpose, AGI is determined without regard to certain exclusions for foreign-source earned income and certain U.S. possession-source income. As the taxpayer's AGI increases, the saver's credit rate available to the taxpayer is reduced, until, at certain AGI levels, the credit is unavailable. For taxable years beginning in 2025, the following taxpayers may be eligible for at least some amount of credit: married taxpayers filing joint returns with AGI of $79,000 or less, taxpayers filing head of household returns with AGI of $59,250 or less, and all other taxpayers filing returns with AGI of $39,500 or less. The credit rates based on AGI for taxable years beginning in 2025 are provided in the table below. The AGI levels used for the determination of the available credit rate are indexed for inflation.

TABLE 4.—CREDIT RATES FOR SAVER'S CREDIT (2025)

7Joint Filers	8Heads of Households	9All Other Filers	10Credit Rate
$0–$47,500	$0–$35,625	$0–$23,750	50 percent
$47,501–$51,000	$35,626–$38,250	$23,751–$25,500	20 percent
$51,001–$79,000	$38,251–$59,250	$25,501–$39,500	10 percent

[122] Sec. 2503(b)(2)(B).
[123] Sec. 25B.

TABLE 4.—CREDIT RATES FOR SAVER'S CREDIT (2025)—Continued

7Joint Filers	8Heads of Households	9All Other Filers	10Credit Rate
Over $79,000	Over $59,250	Over $39,500	0 percent

The saver's credit is in addition to any deduction or exclusion that would otherwise apply with respect to the qualified retirement savings contributions. The credit offsets alternative minimum tax liability as well as regular tax liability. The credit is available to individuals who are 18 years old or older, other than individuals who are full-time students or claimed as a dependent on another taxpayer's return.

Eligible contributions for purposes of the credit include: (1) contributions to traditional and Roth individual retirement accounts ("IRAs"), (2) elective deferrals to a section 401(k) plan, a section 403(b) plan, a governmental section 457(b) plan, a savings incentive match plan for employees ("SIMPLE IRA"), or a simplified employee pension ("SEP") plan, (3) voluntary after-tax employee contributions to a qualified retirement plan or annuity or a section 403(b) plan, and (4) contributions to a section 501(c)(18) plan.[124] Under changes enacted by Public Law 115–97, eligible contributions for purposes of the credit also include contributions made by the individual to the ABLE account of which the individual is the designated beneficiary.[125] A credit for such ABLE contributions is available for contributions made in calendar years 2018 through 2025.

Under changes enacted by Public Law 117–328, for taxable years beginning after December 31, 2026, eligible contributions for purposes of the credit for any individual are limited to such individual's ABLE contributions, if any, made before January 1, 2026.[126] In effect, the credit is unavailable to any taxpayer in a taxable year beginning after December 31, 2026. Instead, taxpayers may be eligible for the "saver's match" credit enacted by Public Law 117–328, starting in taxable years beginning after December 31, 2026.[127]

The amount of contributions eligible for the saver's credit is reduced by distributions received by the taxpayer (or by the taxpayer's spouse if the taxpayer files a joint return) from any retirement plan or IRA to which eligible contributions may be made during the taxable year for which the credit is claimed, during the two taxable years prior to the year the credit is claimed, and during the period after the end of the taxable year for which the credit is claimed and prior to the due date for filing the taxpayer's return for the year.[128] Distributions that are rolled over to another retirement plan or IRA do not affect the credit.

REASONS FOR CHANGE

The Committee believes it is important to reward work and encourage savings among individuals with disabilities, who will then

[124] Sec. 25B(d)(1).
[125] Sec. 25B(d)(1)(D).
[126] Pub. L. No. 117–328, sec. 103(e) and (f), Dec. 29, 2022.
[127] Sec. 6433.
[128] Sec. 25B(d)(2).

be better placed to live financially independent and self-directed lives. Therefore, the Committee believes that individuals with disabilities who earn income should continue to receive a tax credit for a portion of the contributions they make to their own ABLE accounts.

EXPLANATION OF PROVISION

The provision makes permanent the temporary provision including ABLE account contributions made by the account's designated beneficiary as eligible contributions for purposes of the saver's credit. Therefore, for taxable years beginning after December 31, 2026, eligible contributions for purposes of the credit include (and are limited to) ABLE account contributions made during the taxable year by the account's beneficiary.

EFFECTIVE DATE

The provision is effective for taxable years ending after December 31, 2025.

EXTENSION OF ROLLOVERS FROM QUALIFIED TUITION PROGRAMS TO ABLE ACCOUNTS PERMITTED (SEC. 110017 OF THE BILL AND SEC. 529 OF THE CODE)

PRESENT LAW

Qualified ABLE programs

For present law regarding qualified ABLE programs, see the present law description for the provision "Extension of Increased Limitation on Contributions to ABLE Accounts and Permanent Enhancement" (section 110015 of the bill), above.

Section 529 qualified tuition programs

In general

A qualified tuition program is a program established and maintained by a State (or agency or instrumentality thereof) or by one or more eligible educational institutions, which satisfies certain requirements and under which a person may purchase tuition credits or certificates on behalf of a designated beneficiary that entitle the beneficiary to the waiver or payment of qualified education expenses of the beneficiary (a "prepaid tuition program"). Section 529 provides favorable income tax and transfer tax rules for the treatment of accounts and contracts established under qualified tuition programs.[129] In the case of a program established and maintained by a State or agency or instrumentality thereof, a qualified tuition program also includes a program under which a person may make contributions to an account that is established for the purpose of satisfying the qualified education expenses of the designated beneficiary of the account, provided it satisfies certain specified requirements (a "savings account program"). Under both types of qualified tuition programs, a contributor establishes an account for the ben-

[129] For purposes of this description, the term "account" is used interchangeably to refer to a prepaid tuition benefit contract or a tuition savings account established pursuant to a qualified tuition program.

efit of a particular designated beneficiary to provide for that beneficiary's qualified education expenses.

In general, prepaid tuition contracts and tuition savings accounts established under a qualified tuition program involve prepayments or contributions made by one or more individuals for the benefit of a designated beneficiary. Decisions with respect to the contract or account are typically made by an individual who is not the designated beneficiary. Qualified tuition accounts or contracts generally require the designation of a person (typically referred to as an "account owner")[130] whom the program administrator (oftentimes a third-party administrator retained by the State or by the educational institution that established the program) may look to for decisions, recordkeeping, and reporting with respect to the account established for a designated beneficiary. The person or persons who make the contributions to the account need not be the account owner. Under many qualified tuition programs, the account owner generally has control over the account or contract, including the ability to change designated beneficiaries and to withdraw funds at any time and for any purpose. Thus, in practice, qualified tuition accounts or contracts generally involve a contributor, a designated beneficiary, an account owner (who oftentimes is not the contributor or the designated beneficiary), and an administrator of the account or contract.

Qualified education expenses

For purposes of the Code's favorable tax treatment of distributions from a qualified tuition program, qualified education expenses include: (1) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible higher education institution; (2) expenses for special needs services in the case of a special needs beneficiary that are incurred in connection with such enrollment or attendance; (3) expenses for the purchase of computer or peripheral equipment, software, or Internet access if these are to be used primarily by a beneficiary while enrolled at an eligible higher education institution; (4) certain room and board expenses incurred at an eligible higher education institution by a beneficiary enrolled at least half time; (5) up to $10,000 per year of tuition at an elementary or secondary public, private, or religious school; (6) expenses for fees, books, supplies and equipment required for a beneficiary's participation in certain apprenticeship programs; and (7) up to $10,000 of principal or interest payments on certain education loans of the beneficiary.[131]

Contributions to qualified tuition programs

Contributions to a qualified tuition program must be made in cash. Section 529 does not impose a specific dollar limit on the amount of contributions, account balances, or prepaid tuition benefits relating to a qualified tuition account. However, the program is required to have adequate safeguards to prevent contributions in excess of amounts necessary to provide for the beneficiary's quali-

[130] Section 529 refers to contributors and designated beneficiaries but does not define or otherwise refer to the term "account owner," which is a commonly used term among qualified tuition programs.

[131] The $10,000 amount is a lifetime limit per beneficiary.

fied education expenses. Contributions generally are treated as a completed gift eligible for the gift tax annual exclusion. Contributions are not tax deductible for Federal income tax purposes, though they may be deductible for State income tax purposes. Amounts in the account accumulate on a tax-free basis (i.e., income on accounts in the plan is not subject to current Federal income tax), although a qualified tuition program may be subject to taxes imposed on the unrelated business income of tax-exempt organizations.

A qualified tuition program may not permit any contributor or designated beneficiary to direct (whether directly or indirectly) the investment of any contributions or earnings thereon more than twice in any calendar year, and the program must provide separate accounting for each designated beneficiary of the program. A qualified tuition program may not allow any interest in an account or contract (or any portion thereof) to be used as security for a loan.

Rollovers

Amounts rolled over within 60 days of distribution from a qualified tuition program to certain other accounts generally are not included in the gross income of the beneficiary. The accounts eligible for such tax-free rollovers are: (1) another qualified tuition program for the benefit of the same beneficiary or a member of the beneficiary's family; (2) under certain circumstances, a Roth IRA for the benefit of the same beneficiary; and (3) for rollovers completed before January 1, 2026, an ABLE account for the same beneficiary or a member of the beneficiary's family.[132] In the case of ABLE rollovers, the rolled-over amounts count toward the overall limitation on amounts that may be contributed to an ABLE account within a taxable year.[133] To the extent that the rolled-over amount, when added to all other amounts contributed to the ABLE account in the taxable year, exceeds the inflation-indexed $10,000 amount under section 2503(b), the rolled-over amount is includible in the gross income of the qualified tuition program beneficiary in the manner provided by section 72.[134]

REASONS FOR CHANGE

Many families start saving in qualified tuition program accounts before an individual's disability is diagnosed. If the individual is later found to have a qualifying disability, the qualified tuition program may no longer serve the needs of the individual. The Committee believes that families should permanently have the flexibility to transfer, without tax, amounts save in a qualified tuition program account to an ABLE account for the same or another member of the family.

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[132] Sec. 529(c)(3)(C) and (E). For these purposes, a member of the family means, with respect to any beneficiary, the beneficiary's: (1) spouse, (2) child or descendant of a child, (3) brother, sister, stepbrother, or stepsister, (4) father, mother, or ancestor of either, (5) stepfather or stepmother, (6) niece or nephew, (7) aunt or uncle, or (8) in-law. Also included are (9) the spouse of any individual described in (2)–(8), and (10) any first cousin of the beneficiary. Sec. 529(e)(2).

[133] Sec. 529A(b)(2)(B).

[134] Sec. 529(c)(3)(A).

EXPLANATION OF PROVISION

The provision makes permanent the temporary provision that allows nontaxable rollovers from qualified tuition program to ABLE accounts, provided that (i) the rollover is completed within 60 days, (ii) the ABLE account beneficiary is either the qualified tuition program beneficiary or a member of the latter's family,[135] and (iii) the rolled-over amount does not, when added to all other contributions to the ABLE account in the taxable year, exceed the inflation-indexed $10,000 amount under section 2503(b) (with an additional year of inflation adjustment as provided by section 110015 of the bill).

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXTENSION OF TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE SINAI PENINSULA AND ENHANCEMENT TO INCLUDE ADDITIONAL AREAS (SEC. 110018 OF THE BILL)

PRESENT LAW

Members of the Armed Forces serving in a combat zone are afforded a number of tax benefits. These include:

1. An exclusion from gross income of certain military pay received for any month during which the member served in a combat zone or was hospitalized as a result of serving in a combat zone;[136]

2. An exemption from taxes on death while serving in a combat zone or dying as a result of wounds, disease, or injury incurred while so serving;[137]

3. Special estate tax rules where death occurs in a combat zone;[138]

4. Special benefits to surviving spouses in the event of a service member's death or missing status;[139]

5. An extension of time limits governing the filing of returns and other rules regarding timely compliance with Federal income tax rules;[140] and

6. An exclusion from telephone excise taxes.[141]

Section 11026 of Public Law 115–97 provides that a qualified hazardous duty area is temporarily treated in the same manner as a combat zone for purposes of determining eligibility for the tax benefits available to members of the Armed Forces listed above.

The Sinai Peninsula of Egypt is identified as a "qualified hazardous duty area" for this purpose. This qualified hazardous duty area designation applies only during periods in which a member of the Armed Forces is entitled to special pay under 37 U.S.C. sec. 310 for duty subject to hostile fire or imminent danger for services performed in the Sinai Peninsula of Egypt. The identification of the

[135] See sec. 529(e)(2).
[136] Sec. 112; see also sec. 3401(a)(1), exempting such income from wage withholding.
[137] Sec. 692.
[138] Sec. 2201.
[139] Secs. 2(a)(3) and 6013(f)(1).
[140] Sec. 7508.
[141] Sec. 4253(d).

Sinai Peninsula of Egypt as a qualified hazardous duty area for this purpose begins June 9, 2015, and includes the portion of the first taxable year ending after that date, as well as all subsequent taxable years beginning before January 1, 2026.

REASONS FOR CHANGE

The Committee believes that members of the Armed Forces should be provided tax relief for their service to the country. The Committee believes that members of the Armed Forces serving in the Sinai Peninsula of Egypt, Kenya, Mali, Burkina Faso, and Chad deserve the same tax benefits provided to members of the Armed Forces serving in designated combat zones.

EXPLANATION OF PROVISION

The provision amends Public Law 115–97 to permanently treat a qualified hazardous duty area in the same manner as a combat zone for purposes of determining eligibility for the certain tax benefits available to members of the Armed Forces.

The provision also modifies the definition of qualified hazardous duty area to include (1) the Sinai Peninsula of Egypt if as of December 22, 2017, any member of the Armed Forces of the United States is entitled do special pay under 37 U.S.C. section 310 for duty subject to hostile fire or imminent danger for services performed in such location and (2) Kenya, Mali, Burkina Faso, and Chad if as of date of enactment, any member of the Armed Forces of the United States is entitled to special pay under 37 U.S.C. section 310 for duty subject to hostile fire or imminent danger for services performed in such location.

EFFECTIVE DATE

The provision is effective on January 1, 2026.

EXTENSION OF EXCLUSION FROM GROSS INCOME OF STUDENT LOANS DISCHARGED ON ACCOUNT OF DEATH OR DISABILITY (SEC. 110019 OF THE BILL AND SEC. 108 OF THE CODE)

PRESENT LAW

Gross income generally includes the amount of a taxpayer's indebtedness that is discharged.

An amount that otherwise would be includible in gross income as a result of the discharge of a taxpayer's indebtedness may be excluded from gross income under one of several exceptions. Under one exception, an individual's gross income does not include any amount from the forgiveness (in whole or in part) of the individual's student loan (under the definition described below) if the forgiveness is made under a provision of the loan according to which all or a part of the individual's indebtedness will be discharged if the individual works for a certain period of time in certain professions for any of a broad class of employers.[142]

[142] Sec. 108(f)(1).

A loan is a student loan in respect of which the exclusion is allowed if it satisfies the following requirements.[143] A loan must be made to an individual to assist the individual in attending an educational organization that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where its educational activities are regularly carried on. A loan may qualify if the proceeds are used for tuition and required fees or for room and board expenses. The loan must be made by (1) the United States (or an instrumentality or agency thereof), (2) a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof, (3) a tax-exempt public benefit corporation that controls a State, county, or municipal hospital and whose employees have been deemed to be public employees under State law, or (4) an educational organization that originally received the funds from which the loan was made from the United States, a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof, or a tax-exempt public benefit corporation. The exclusion from gross income for the discharge of a loan made by an educational organization described in the last prong applies only if the discharge is not on account of services performed for the organization.[144]

An individual's gross income also does not include an amount from the forgiveness of a loan made by an educational organization (or, in the case of a refinancing loan, an organization exempt from tax under section 501(a)) out of private, nongovernmental funds if the proceeds of such loans are used to pay costs of attendance at an educational institution or to refinance any outstanding student loans (not just loans made by educational organizations) and the student is not employed by the lender organization. In the case of such loans made or refinanced by educational organizations (or refinancing loans made by certain tax-exempt organizations), cancellation of the student loan must be contingent on the student working in an occupation or area with unmet needs and such work must be performed for, or under the direction of, a tax- exempt charitable organization or a governmental entity.

An amount paid by a person other than the taxpayer in repayment of the taxpayer's indebtedness generally is included in the taxpayer's gross income. An individual's gross income does not, however, include any loan repayment amount received under the National Health Service Corps Loan Repayment Program (the "NHSC Loan Repayment Program"), a qualifying State loan repayment program, or a qualifying State loan repayment or loan forgiveness program that is intended to provide for the increased availability of health care services in underserved or health professional shortage areas (as determined by the State).[145]

A temporary provision enacted in Public Law 115–97 excluded from an individual's gross income an otherwise includible amount from the discharge of a qualifying loan on account of a student's

[143] Sec. 108(f)(2).
[144] Sec. 108(f)(3).
[145] Sec. 108(f)(4). The NHSC Loan Repayment Program offers loan repayment to certain health care professionals who provide medical services for a certain number of years at an approved service site in an area identified as having a shortage of health care professionals.

death or total and permanent disability.[146] An amount from the discharge of a loan qualified for this exclusion if the loan was a (1) a student loan (under the requirements for student loans described previously) or (2) a private education loan.[147] This temporary exclusion applied to a discharge after December 31, 2017 and before January 1, 2026.

A more recently enacted temporary provision (included in the American Rescue Plan Act) expands this earlier temporary exclusion from gross income for amounts from the discharge of student loan or private education loan indebtedness.[148] This more recent expansion applies to discharges of loans (in whole or in part) after December 31, 2020 and before January 1, 2026.

Under the expanded exclusion, an amount from the discharge of indebtedness is excluded from gross income irrespective of whether the discharge is on account of a student's death or total and permanent disability.

The temporary expanded exclusion not only is allowed irrespective of whether a discharge is on account of a student's death or disability; it also is available for discharges of a broader category of loans than was the earlier temporary rule for discharges on account of death or disability. This broader category includes any loan provided expressly for postsecondary educational expenses, regardless of whether provided through the educational institution or directly to the borrower, if the loan was made, insured, or guaranteed by one of the categories of lenders in respect of which the permanent exclusion is allowed (described previously and including, for example, the United States or a State) or by an eligible educational institution as defined in section 25A, a category of educational institution that includes nearly all public, nonprofit, and for-profit postsecondary institutions.

REASONS FOR CHANGE

The Committee believes that the discharge of a student loan in the case of an individual whose loan was discharged on account of death or disability of the student should not be a taxable event.

EXPLANATION OF PROVISION

The provision restores the Public Law 115–97 exclusion from an individual's gross income for an otherwise includible amount from the discharge of a qualifying loan on account of a student's death or total and permanent disability.

As under Public Law 115–97, an amount from the discharge of a loan qualifies for the provision's exclusion if the loan was a (1)

[146] Pub. L. No. 115–97, sec. 11031(a), December 22, 2017; prior law sec. 108(f)(5). The provision makes specific reference to those provisions of the Higher Education Act of 1965 that discharge William D. Ford Federal Direct Loan Program loans, Federal Family Education Loan Program loans, and Federal Perkins Loan Program loans in the case of death and total and permanent disability. See sec. 108(f)(5)(A)(i) and (ii). The provision also includes a general exclusion for a discharge on account of the death or total and permanent disability of the student. See sec. 108(f)(5)(A)(iii).

[147] Sec. 108(f)(5)(B). For this purpose, a private education loan is defined in section 140(a) of the Consumer Credit Protection Act (15 U.S.C. sec. 1650(a)).

[148] Pub. L. No. 117–2, sec. 9675(a), March 11, 2021; present law sec. 108(f)(5).

a student loan (under the section 108(f)(2) requirements for student loans described previously) or (2) a private education loan.[149]

The provision's exclusion from gross income is allowed in respect of a discharge during a taxable year only if the taxpayer includes on the tax return for the year the taxpayer's Social Security number and, if the taxpayer is married, the Social Security number of the taxpayer's spouse. For this purpose, the term "Social Security number" has the same meaning as under section 24(h)(7).[150]

The provision treats the omission of a correct, required Social Security number as a mathematical or clerical error for purposes of section 6213.

EFFECTIVE DATE

The provision is effective for discharges after December 31, 2025.

PART II—ADDITIONAL TAX RELIEF FOR AMERICAN FAMILIES AND WORKERS

NO TAX ON TIPS (SEC. 110101 OF THE BILL AND SECS. 45B, 199A, 3401, 6041, 6050W, 6051, 6213(g) AND NEW SEC. 224 OF THE CODE)

PRESENT LAW

Under present law, tips are generally includible in an individual's gross income[151] and are subject to Federal income and Federal employment taxes.

Federal income taxation

All tips received by an individual are subject to federal income taxation including (1) cash tips received directly from customers,[152] (2) electronically paid tips from credit and debit card charge customers, and (3) tips received under a tip-splitting or tip-pooling arrangement. The value of noncash tips received, such as tickets, passes or other goods or commodities that a customer gives the individual are generally also subject to income taxation. However, service charges that an employer adds on to a customer's bill and pays to an employee are treated as wages to the individual, not tips.

The following factors generally determine whether a payment qualifies as a tip; normally, each of the following must apply: (1) the payment is made free from compulsion; (2) the customer has the right to determine the amount of the payment; (3) the payment isn't subject to negotiation or dictated by employer policy; and (4)

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[149] For this purpose, a private education loan is defined in section 140(a) of the Consumer Credit Protection Act (15 U.S.C. sec. 1650(a)).

[150] Section 24(h)(7) defines "Social Security number" as a Social Security number issued to an individual by the Social Security Administration, but only if the number is issued before the due date for the individual's tax return and is issued to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act. For purposes of the Social Security number requirement for an individual and an individual's spouse, rules similar to the marital rules of section 32(d) apply.

[151] Treas. Reg. sec. 1.61–2(a).

[152] Certain individuals may receive "indirect" tips that are treated as income to those individuals. An indirect tip occurs when an employee, who normally does not receive tips directly from customers, receives a tip. For example, bussers, service bartenders, cooks and salon shampooers.

the customer generally has the right to determine who receives the payment.[153]

Federal employment taxes

Federal employment taxes are imposed on covered wages paid to employees with respect to employment and include taxes imposed under the Federal Insurance Contributions Act ("FICA"), the Federal Unemployment Tax Act ("FUTA"), and the Federal income tax.[154] In addition, Tier 1 of the Railroad Retirement Tax Act ("RRTA") imposes a tax on compensation paid to railroad employees and representatives.[155]

FICA taxes are comprised of two components: the Old-Age, Survivors, and Disability Insurance ("OASDI") and Hospital Insurance ("Medicare"). With respect to OASDI taxes, the applicable rate is 12.4 percent with half of such rate (6.2 percent) imposed on the employee and the remainder (6.2 percent) imposed on the employer.[156] The tax is assessed on covered wages up to the OASDI wage base ($176,100 in 2025). Generally, the OASDI wage base rises based on increases in the national average wage index.[157] With respect to Medicare taxes, the applicable rate is 2.9 percent with half of such rate (1.45 percent) imposed on the employee and the remainder (1.45 percent) imposed on the employer.[158] The employee portion of the Medicare tax (not the employer portion) is increased by an additional tax of 0.9 percent on wages received in excess of a threshold amount. The threshold amount is $250,000 in the case of a joint return, $125,000 in the case of a married individual filing a separate return, and $200,000 in any other case.

The FICA tax is assessed on covered wages, which is defined for such tax purposes as all remuneration for "employment," including the cash value of all remuneration (including benefits and tips) paid in any medium other than cash, with certain exceptions. The name given to the remuneration for employment is immaterial. Such wages include salaries, vacation allowances, bonuses, deferred compensation, commissions, fringe benefits, and tips. With respect to tips, wages for FICA purposes includes cash and charge tips of $20 or more received by an employee in a calendar month. Employees are generally required to report to their employers the amount of tips received as further described below.

The term "employment" is generally defined for FICA tax purposes as any service, of whatever nature, performed by an employee for the person employing him or her, with certain specific exceptions.

The employee portion of OASDI and Medicare taxes must be withheld and remitted to the Federal government by the employer during the quarter, as required by the applicable deposit rules. The employer is liable for the employee portion of the OASDI and Medicare taxes, in addition to its own share, whether or not the employer withholds that amount from the employee's wages. OASDI

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[153] Rev. Rul. 2012–18, 2012–26 I.R.B. 1032; IRS, *Publication 531, Reporting Tip Income*, Rev. December 2024.
[154] Secs. 3101, 3111, 3301, and 3401.
[155] Sec. 3221.
[156] Secs. 3101(a) and 3111(a).
[157] Sec. 230 of the Social Security Act (42 U.S.C. sec. 430).
[158] Sec. 3101(b)(1) and 3111(b).

and Medicare taxes are generally allocated by statute among separate trust funds: the OASDI Trust Funds, Medicare's Hospital Insurance Trust Fund, and the Medicare Supplementary Trust Fund.

Employee reporting of tips to employers

Employees normally include tips in income when they are received. However, employees who are required to report cash tips to their employer in a written statement are treated as receiving the tips when they provide this statement. For this purpose, cash tips include tips paid by cash, check, debit card and credit card.

If an employee receives cash tips of $20 or more in any calendar month, the employee must report those tips to the employer in one or more written statements by the tenth of the month following the month the tips were received.[159] The employer reports that tip income to the employee on the employee's W–2.[160] Thus, the employee includes those cash tips in income for the tax year in which he or she provides the required written statement to the employer. The employer is required to keep the employee tip reports and is required to withhold taxes, including both income taxes and the employee's and employer's share of FICA and Medicare tax on the total wages paid to the tipped employees as well as the reported tip income.[161]

Although noncash tips are not required to be reported to the employer, the employee is required to report them on his or her tax return. Any tips that the employee did not report to the employer, the employee must report separately[162] to include as additional wages with his or her tax return. The employee must also pay the employee share of Social Security and Medicare tax on those tips.

Independent contractor and sole proprietor reporting

Under present law, there is no required reporting of "tips" to independent contractors or sole proprietors.

However, under present law, there is tax reporting of certain payments made to vendors and independent contractors (both to those entities as well as to the IRS) on either a Form 1099–NEC or a Form 1099–K.[163]

A business that pays at least $600 in a calendar year to an individual who is not an employee (for example an independent contractor or freelancer) for services performed by that individual in the course of that business's trade or business during that year is generally required to furnish to such individual (and the IRS) a Form 1099–NEC on or before January 31 of the year following the

[159] Sec. 6053(a). The statement must include the employee's signature; the employee's name and address; the month or period the report covers; and the total of tips received during the month or period.

[160] Sec. 6051(a); Treas. Reg. sec. 30.6051–1(vi). The employer reports to the employee "only such tips as are reported by the employee to the employer in a written statement furnished to the employer pursuant to section 6053(a)." These tips are reported by the employer in Box 7 of the Form W–2 (Social Security tips), and the Form W–2 is reported to both the employee and the Internal Revenue Service.

[161] A special rule applies to large food or beverage establishments (10 or more employees) that must also report "allocated tips" to employees if the tips the employees reported to their employer were less than 8% of the employer's food and drink sales. Allocated tips are reported by the employer in box 8 of the Form W–2. Those allocated tips must also be reported by the employee on his or her tax return.

[162] On Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*.

[163] Under secs. 6041(a) or 6050W(a).

calendar year for which the return is required.[164] The Form 1099–NEC provides the name, address and phone number of the person required to make the return and summarizes (provides the aggregate amount) of all nonemployee compensation the business has paid to such an individual during that calendar year.

Payment settlement entities[165] including third-party settlement networks (such as VISA, Mastercard, PayPal or Square) are required to report certain payments made in a calendar year in settlement of payment card transactions[166] and third-party network transactions[167] on a Form 1099–K. The report must set forth (1) the name, address and TIN of each participating payee to whom one or more payments in settlement of reportable payment transactions are made and (2) the gross amount of the reportable payment transactions[168] with respect to each participating payee. Third party settlement organizations which include payment apps and online marketplaces are required to report payments on Form 1099–K when the total amount of payments received for goods or services through the platform exceeds: $5,000 in 2024, $2,500 in 2025, and $600 in 2026 and later.[169]

FICA Business Tip Credit

The Code[170] allows certain food and beverage establishments to elect to claim a business tax credit in an amount equal to the employer share of FICA taxes paid on tips in excess of those treated as wages for purposes of meeting the minimum wage requirements of the Fair Labor Standards Act (the "FLSA") as in effect on January 1, 2007 ("FICA tip credit").[171]

The credit applies only with respect to employer FICA tax paid on tips received from customers in connection with the providing, delivering, or serving of food or beverages for consumption if the tipping of employees delivering or serving food or beverages by customers is customary. No deduction is allowed to the employer for any amount taken into account in determining the tip credit. The credit is available whether or not the employee reports the tips on which the employer FICA tax is paid.

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[164] Sec. 6041(a) and (d). Sec. 6041(e) provides that this section does not apply to tips with respect to which section 6053(a) applies, *e.g.*, reporting of tips by employees to employers as described above.

[165] Defined as either a "merchant acquiring entity" in the case of a payment card transaction or a "third party settlement organization" in the case of a third-party network transaction." Sec. 6050W(b)(1). A "merchant acquiring entity" means the bank or other organization which has the contractual obligation to make payment to participating payees in settlement of payment card transactions. Sec. 6050W(b)(2). A "third party settlement organization" means the central organization which has the contractual obligation to make payment to participating payees of third party network transactions. See sec. 6050W(b)(3).

[166] A payment card transaction means any transaction in which a payment card is accepted as payment. Sec. 6050W(c)(2).

[167] A third party-network transaction means any transaction that involves the establishment of accounts with a central organization by a substantial number of persons who are unrelated to the organization, provide goods or services and have agreed to settle transaction pursuant to such agreement or arrangement. Sec. 6050W(d)(3)(A).

[168] Reportable payment transactions mean any payment card transaction and any third party network transaction.

[169] However, money received from friends or family as a gift or repayment for a personal expense are not reported on a Form 1099–K because such payments are not taxable income.

[170] Sec. 45B.

[171] As of January 1, 2007, the Federal minimum wage under the FLSA was $5.15 per hour. In the case of tipped employees, the FLSA provides that the minimum wage may be reduced to $2.13 per hour (that is, the employer is only required to pay cash equal to $2.13 per hour) if the combination of tips and cash income equals the Federal minimum wage.

REASONS FOR CHANGE

The Committee believes that allowing hardworking Americans to deduct their tips from income tax provides much-needed financial relief to American workers in traditionally tipped occupations. By alleviating the tax burden on tipped income, tipped employees will benefit from enhanced economic security and exceptional service will be rewarded.

EXPLANATION OF PROVISION

Federal tax deduction for qualified tips

The provision provides a federal income tax deduction (the "tip deduction") equal to the qualified tips that an individual receives during any taxable year that are included on Form W–2's, 1099–K's or 1099–NECs, or reported by the taxpayer on Form 4317 (or successor).[172]

"Qualified tips" are defined as any cash tip received by an individual in an occupation which traditionally and customarily received tips (including but not limited to restaurant servers, bartenders, taxi drivers, rideshare drivers, food delivery drivers, hairdressers, hairstylists, hotel bellhops, hotel housekeepers, casino dealers, etc.) on or before December 31, 2024, as provided by the Secretary. The list of such occupations is to be published by the Secretary of the Treasury (or the Secretary's delegate) within 90 days of enactment. Qualified tips do not include any amount received by an individual unless: (1) such amount is paid voluntarily without any consequence in the event of nonpayment, is not the subject of negotiation, and is determined by the payor; (2) the trade or business in the course of which the individual receives such amount is not a specified service trade or business;[173] (3) such individual does not receive earned income[174] in excess of the dollar amount in effect[175] for the calendar year in which the taxable year begins; and (4) such other requirements as may be established by the Secretary in regulations or other guidance are satisfied.

In the case of qualified tips received by an individual during any taxable year in the course of any trade or business of such individual, such qualified tips are taken into account only to the extent that the gross receipts of the taxpayer from such trade or business for such taxable year (including such qualified tips) exceeds the sum of: (1) the cost of goods sold that are allocable to such receipts, plus (2) other expenses, losses, or deductions (other than the deduction allowed under this proposal), which are properly allocable to such receipts.

Non-itemizers may take the tip deduction in addition to the standard deduction

For individuals who do not elect to itemize their deductions, the tip deduction is allowed in addition to the standard deduction.

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[172] Pursuant to secs. 6041(d)(3), 6041A(e)(3), 6050W(f)(2), or 6051(a)(18).
[173] As defined in sec. 199A(d)(2).
[174] Within the meaning of section 32.
[175] As defined in sec. 414(q)(1)(B)(i). For 2025, that amount is $160,000.

Social Security number requirement

No tip deduction is allowed under this section with respect to qualified tips unless the taxpayer includes the Social Security number (SSN)[176] of the individual who received such tips on his or her tax return for the taxable year. If the individual is married, such tax return must also include the SSN of such spouse.[177] An omission of a correct SSN is treated as a mathematical or clerical error.[178]

Exclusion from qualified business income

Any amount[179] for which a tip deduction is allowable under this provision is excluded from being considered qualified business income.[180]

Reporting requirements

Tip deductions to employees are only allowed for qualified tips reported by the employer on Form W–2.[181] With respect to returns related to wages reported to the Secretary and the employee,[182] the total amount of tips reported by the employee to the employer is provided.[183]

Independent contractors and sole proprietors are only eligible for the tip deduction in the following situations: (1) with respect to returns for payments made in the course of a trade or business reported to the Secretary[184] and the payee,[185] in the case of compensation to non-employees, there is a separate accounting of the portion of payments that have been properly designated as tips and whether such tips are received in an occupation which traditionally and customarily tips is noted;[186] (2) with respect to returns for payments made for services and direct sales reported to the Secretary[187] and the payee,[188] there is a separate accounting of the portion of payments that have been properly designated as tips and whether such tips are received in an occupation which traditionally and customarily tips is noted;[189] and (3) with respect to returns and payments relating to third party settlement organizations reported to the Secretary[190] and the payee,[191] there is a separate accounting of the portion of the reportable payment transactions that have been properly designated by payors as tips and whether such

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[176] As defined in sec. 24(h)(7).
[177] With respect to the treatment of married individuals for purposes of this provision, rules similar to section 32(d) apply.
[178] For purposes of section 6213(g)(2) as amended by the preceding provisions of this legislation . . .
[179] Under sec. 6050W(a).
[180] For purposes of the deduction under section 199A.
[181] Under sec. 6051(a), as amended by the preceding provisions of this Act and is further amended to provide this requirement.
[182] Under section 6051(a).
[183] Under section 6053(a).
[184] Under section 6041(a).
[185] Under section 6041(d).
[186] As described in section 224(c)(1).
[187] Under sec. 6041A(a).
[188] Under sec. 6041A(e).
[189] As described in sec. 224(c)(1).
[190] Under sec. 6050W(a).
[191] Under sec. 6050W(f)(2).

tips are received in an occupation which traditionally and customarily tips is noted.[192]

Withholding tables and procedures to be updated

Withholding tables and procedures, with respect to Federal individual income taxes, is to be updated to account for the tip deduction.

Regulations

The Secretary has the authority to prescribe such regulations or other guidance as may be necessary to prevent reclassification of income as qualified tips, including regulations or other guidance to prevent abuse of the tip deduction.

Sunset of tip deduction

No tip deduction is allowed under this section for any taxable year beginning after December 31, 2028.

Extension of tip credit to beauty service business

The provision extends the FICA tip credit to certain beauty services.

The provision extends the FICA tip credit to tips received from customers or clients by an employee in connection with providing beauty services for which tipping is customary. "Beauty services" are defined to include barbering, hair care, nail care, esthetics, and body and spa treatments. The minimum wage limitation is revised with respect to beauty services to reference the minimum wage rate applicable under the FLSA for that month (rather than the rate applicable as of January 1, 2007).

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2024.

NO TAX ON OVERTIME (SEC. 110102 OF THE BILL AND SECS. 3402, 6051, 6213(g) AND NEW SEC. 225 OF THE CODE)

PRESENT LAW

Under present law, overtime is generally includible in an individual's gross income[193] and is subject to Federal income and Federal employment taxes.

Federal Labor Standards Act of 1938

The Federal Labor Standards Act of 1938 ("FLSA" or the "Act")[194] provides for the payment of overtime pay.[195]

Overtime under FLSA

Under present law, employers generally must pay covered, nonexempt employees at least one-and-a half times their "regular rate"

[192] As described in sec. 224(c)(1).
[193] Treas. Reg. sec. 1.61–2(a). Overtime is reported in Box 1 of the Form W–2.
[194] Pub. L. No. 75–718, June 25, 1938.
[195] 29 U.S.C. sec. 207(a).

of pay for hours worked over 40 hours a week at a given job ("overtime compensation").[196]

Regular rate of pay

The amount of overtime pay is based on the employee's regular rate of pay and the number of hours worked in a workweek. Because earnings may be determined on a piece-rate, salary, commission, or some other basis and the FLSA does not provide for how work hours are scheduled,[197] the determination of the regular rate of pay is based upon the actual facts of the individual's job and work schedule (as well as certain other rules) and is calculated by dividing the total pay for employment (except for certain statutory exclusions such as the premium portion of overtime compensation) in any workweek by the total number of hours actually worked.

The regular rate of pay includes all remuneration for employment, except certain payments excluded by the Act.[198]

Covered employees

The FLSA covers employees and enterprises engaged in interstate commerce. The FLSA covers most, but not all, private and public sector employees.[199]

Exemptions

There are a number of exemptions from the overtime requirements, including a broad exemption for executive, administrative, professional, computer and outside sales employees that narrows the individuals who are eligible to receive overtime compensation.[200]

Tip credit under FLSA and impact on overtime

Under the FLSA, an employer must pay a tipped worker a minimum cash wage of $2.13 if the employee receives at least $5.12 an hour in tips (for a total wage of $7.25).[201] Employers may claim up to $5.12 in tips as a tip credit. The additional amount may not exceed the value of the tips actually received by an employee and the employer must provide notice to the employee of the tip credit provision before applying the tip credit.[202] All tips received by such

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[196] Congressional Research Service, *The Fair Labor Standards Act (FLSA): An Overview*, updated March 8, 2023, available at https://crsreports.congress.gov. 29 U.S.C. sec. 207(o) provides that an employee of a public agency which is a State, a political subdivision of a state or an interstate governmental agency may receive, in lieu of overtime compensation, compensatory time off.

[197] Wage and Hour Division, Department of Labor, "Fact Sheet #23: Overtime Pay Requirements of the FLSA," revised October 2019. An employee's workweek is a fixed and regularly recurring period of 168 hours, seven consecutive 24-hour periods. Different workweeks may be established for different employees or groups of employees.

[198] 29 U.S.C. sec. 207(e). For example, expenses incurred on the employer's behalf such as traveling expenses, discretionary bonuses, gifts and payments in the nature of gifts on special occasions, premium payments for overtime work, extra compensation provided by a premium rate for work by the employee on Saturdays, Sundays, and holidays, contributions irrevocably made by an employer for providing old-age, retirement, life, accident or health insurance or similar benefits to employees, payments made to a bona fide profit sharing or thrift or savings plan, and payments for occasional periods when no work is performed due to vacation, holidays or illness.

[199] 29 U.S.C. sec. 203(e).

[200] 29 U.S.C. sec. 213(a)(1).

[201] 29 U.S.C. sec. 203(m)(2).

[202] The notice must include the amount of the cash wage the employer is paying the tipped employee, the additional amount claimed by the employer as a tip credit, provide that the tip

Continued

employee must be retained by the employee except the provision does not prohibit the pooling of tips among employees who customarily and regularly receive tips. However, if a tipped employee receives less than $5.12 an hour in tips, the employer must make up the difference with a higher cash wage.

An employer can use the tip credit towards meeting the overtime requirements as well.

Recordkeeping

Every covered employer must keep certain records for each nonexempt employee. FLSA does not require a particular form for such records but does require that the records include certain identifying information about the employee and data about the hours worked and the wages earned.[203] Among other information included in such records is the employee's full name and Social Security number, the time and day of week when the employee's workweek begins, hours worked each day, total hours worked each workweek, the basis on which the employee's wages are paid, the regular hourly pay rate, and total premium pay for overtime hours for the workweek.[204]

Each employer is required to retain payroll records, collective bargaining agreements, and sales and purchase records for at least three years.[205] Records on which wage computations are based are retained for two years, including time cards and piece work tickets, wage rate tables, work and time schedules and records of additions to or deductions from wages.[206]

Employers are also required to keep detailed records of tips.[207]

These records must be open for inspection by the Wage and Hour Division of the Department of Labor, who may ask the employer to make extensions, computations or transcriptions.[208]

Income taxation

All overtime received by an individual is subject to federal income taxation and is currently reported in Box 1 of the W–2. An employer reports overtime compensation as part of all other taxable wages, tips, and other compensation paid to the employee during the year. Currently, there is no separate reporting of overtime compensation for tax reporting purposes on either the Form W–2 or on the Form 1040.

Employment taxes

For a general description of employment taxes, see Subtitle A, Part 2, section 110101 of this document, "No tax on tips."

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credit claimed by the employer cannot exceed the amount of tips actually received by the tipped employee, that all tips received by the tipped employee are to be retained by the employee except for a valid tip pooling arrangement limited to employees who customarily and regularly receive tips, and that the tipped employee must have been provided this notice.

[203] 29 C.F.R. Part 516.

[204] 29 C.F.R. Part 516.2.

[205] 29 C.F.R. Part 516.5.

[206] 29 C.F.R. Part 516.6.

[207] 29 C.F.R. Part 515.28.

[208] Wage and Hour Division, Department of Labor, "Fact Sheet #21: Recordkeeping Requirements under the Fair Labor Standards Act," revised July 2008.

Tax reporting

Under present law, there are no special rules for reporting overtime compensation for purposes of income taxation or employment tax reporting.

REASONS FOR CHANGE

The Committee believes that allowing hardworking Americans to deduct overtime compensation from income taxation encourages people to work more hours, boosting the economy and increasing individual earnings, rewarding those who work extra hours, and providing much-needed tax relief to those who contribute more to the economy.

EXPLANATION OF PROVISION

Federal tax deduction for qualified overtime compensation

The provision provides a federal income tax deduction (the "overtime deduction") equal to the qualified overtime compensation that an individual receives during the taxable year. Amounts excluded from the overtime deduction include (1) any qualified tips[209] and (2) any amount received by an individual during a taxable year if such individual is a highly compensated employee[210] of any employer for the calendar year in which the taxable year begins, or receives earned income in excess of the dollar amount in effect[211] for such calendar year.

"Qualified overtime compensation" means overtime compensation paid to an individual required under section seven of the FLSA that is in excess of the regular rate (as used in that section) at which such individual is employed. Such term does not include any qualified tips as defined in section 110101 of this bill, "No tax on tips."[212] As a result, there is no double tax benefit provided to qualified tips for which a deduction is permitted under that section and then used to determine qualified overtime compensation for purposes of calculating the overtime deduction under this section of the bill.

Non-itemizers may take the overtime deduction in addition to the standard deduction

For individuals who do not elect to itemize their deductions, the overtime deduction is allowed in addition to the standard deduction.

Social Security number requirement

No overtime deduction is allowed under this section with respect to qualified overtime compensation unless the taxpayer includes the Social Security number[213] of the individual who received such qualified overtime compensation on his or her tax return for the taxable year. If the individual is married, such tax return must

[209] As defined in sec. 224(c).
[210] As defined in sec. 414(q)(1).
[211] As defined in sec. 414(q)(1)(B)(i). For 2025, that amount is $160,000.
[212] Subtitle A, Part 2, section 110101.
[213] As defined in sec. 24(h)(7).

also include the Social Security number of such spouse.[214] An omission of a correct Social Security number (relating to the qualified overtime deduction) to be included on a return is treated as a mathematical or clerical error.[215]

Reporting requirements

Overtime deductions to employees are only allowed for qualified overtime compensation if the total amount of qualified overtime compensation is reported separately on the Form W–2.[216]

Withholding tables and procedures to be updated

Withholding tables and procedures, with respect to Federal individual income taxes, must be updated to account for the overtime deduction.

Regulations

The Secretary has the authority to prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this provision.

Sunset of overtime deduction

No overtime deduction is allowed under this section for any taxable year beginning after December 31, 2028.

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2024.

ENHANCED DEDUCTION FOR SENIORS (SEC. 110103 OF THE BILL AND SEC. 63 OF THE CODE)

PRESENT LAW

An individual who does not elect to itemize deductions reduces adjusted gross income ("AGI") by the amount of the applicable standard deduction in arriving at taxable income. The standard deduction is the sum of the basic standard deduction and, if applicable, the additional standard deduction.[217] The basic standard deduction varies depending upon a taxpayer's filing status. For taxable years beginning in 2025, the amount of the basic standard deduction is $15,000 for an unmarried individual (other than a head of household or a surviving spouse) and a married individual filing a separate return,[218] $22,500 for a head of household, and $30,000 for married individuals filing a joint return and a surviving spouse.[219]

An additional standard deduction is allowed to an individual who has attained age 65 before the close of the taxable year or is blind

[214] With respect to the treatment of married individuals for purposes of this provision, rules similar to section 32(d) apply.
[215] For purposes of sec. 6213(g)(2).
[216] Under sec. 6051(a) as amended by the preceding provisions of this Act and further amended to provide this requirement.
[217] Sec. 63(c)(1).
[218] In the case of a married individual filing a separate return where either spouse itemizes deductions, the standard deduction is zero. Sec. 63(c)(6).
[219] Rev. Proc. 2024–40, 2024–45 I.R.B. 1100, November 4, 2024.

at the close of the taxable year.[220] For 2025, the additional amount is $1,600 for a married taxpayer (for each spouse meeting the applicable criteria in the case of a joint return) and a surviving spouse. The additional amount for a single individual and head of household is $2,000. An individual who is both blind and has attained age 65 is entitled to two additional standard deductions, for a total additional amount (for 2025) of $3,200 or $4,000, as applicable.

In the case of a dependent for whom a deduction for a personal exemption[221] is allowable to another taxpayer, the standard deduction may not exceed the greater of (i) $1,350 (in 2025) or (ii) the sum of $450 (in 2025) plus the dependent's earned income.[222] The standard deduction for an estate or trust is zero.[223] The amounts of the basic and additional standard deduction are indexed annually for inflation.[224]

Public law 115–97 temporarily increases the basic standard deduction for tax years beginning after December 31, 2017, and before January 1, 2026. Under present law, relative to taxable years beginning in 2025, the standard deduction will decrease for taxable years beginning in 2026, with the amount of the basic standard deduction being $8,300 for an unmarried individual (other than a head of household or a surviving spouse) and a married individual filing a separate return,[225] $12,150 for a head of household, and $16,600 for married individuals filing a joint return and a surviving spouse.[226] The additional standard deduction was not modified by Public Law 115–97.

REASONS FOR CHANGE

The Committee believes that the tax burden on low- and middle-income seniors is too high. Providing an income-targeted additional deduction for seniors, regardless of whether they take the standard deduction or itemize deductions, will help to ease the tax burden on seniors. The Committee believes this benefit should also be targeted to taxpayers with work-authorized Social Security numbers.

EXPLANATION OF PROVISION

The provision creates a deduction for a bonus additional amount for all individuals who have attained age 65 (for each spouse meeting the applicable criteria in the case of a joint return) for taxable years beginning after December 31, 2024, and before January 1, 2029. This additional amount is $4,000 per individual, the "senior bonus amount." The senior bonus amount phases out for taxpayers with income over a threshold amount of $150,000 for taxpayers filing jointly and $75,000 for all other taxpayers. The senior bonus amount is reduced by four percent of modified AGI in excess of the

[220] Sec. 63(f).

[221] For taxable years beginning in 2018 through 2025, the personal exemption amount is reduced to zero. Sec. 151(d)(5). This reduction is not taken into account in determining the limitation on the standard deduction for dependents. See sec. 151(d)(5).

[222] Sec. 63(c)(5).

[223] Sec. 63(f).

[224] Sec. 63(c)(4) and (c)(7)(B).

[225] In the case of a married individual filing a separate return where either spouse itemizes deductions, the standard deduction is zero. Sec. 63(c)(6).

[226] Joint Committee on Taxation staff projections.

applicable threshold amount. For purposes of this limitation, modified AGI means AGI increased by any amount excluded from gross income under section 911 (foreign earned income exclusion), 931 (exclusion of income for a bona fide resident of American Samoa), or 933 (exclusion of income for a bona fide resident of Puerto Rico).

The deduction for the senior bonus amount is allowed to taxpayers who claim the standard deduction and to taxpayers who elect to itemize deductions. The senior bonus amount is not indexed for inflation.

Under the provision, the Social Security number ("SSN") of the taxpayer and the taxpayer's spouse (if married filing jointly) must appear on the return.[227] The SSN for each individual must be issued before the due date of the return. Each SSN also must be issued to a citizen or national of the United States or pursuant to a provision of the Social Security Act relating to the lawful admission for employment in the United States.[228]

The provision treats the omission of a correct, required SSN as a mathematical or clerical error for purposes of section 6213.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2024.

NO TAX ON CAR LOAN INTEREST (SEC. 110104 OF THE BILL AND SECS. 62 AND 163 AND NEW SEC. 6050AA OF THE CODE)

PRESENT LAW

A deduction is allowed for interest paid or accrued on indebtedness.[229] For a taxpayer other than a corporation, however, no deduction is allowed for personal interest.[230] For this purpose, personal interest means any interest for which a deduction is allowable under chapter 1 of subtitle A of the Code other than several kinds of specified interest including, for example, qualified residence interest (interest paid or accrued on indebtedness incurred in purchasing or improving the taxpayer's principal residence).[231]

REASONS FOR CHANGE

The Committee believes that a deduction for interest payments on indebtedness incurred to buy personal-use passenger vehicles that are assembled in the United States will ease the financial burden of car ownership for working and growing families and will improve the economy for American workers by promoting domestic manufacturing.

EXPLANATION OF PROVISION

For taxable years beginning in 2025, 2026, 2027, and 2028, the provision excludes from the definition of personal interest qualified

[227] With respect to the treatment of married individuals for purposes of this provision, rules similar to section 32(d) apply.

[228] See sec. 205(c)(2)(B)(i)(I) (or that portion of subclause (III) that relates to subclause (I)) of the Social Security Act.

[229] Sec. 163(a).

[230] Sec. 163(h)(1).

[231] Sec. 163(h)(2).

passenger vehicle loan interest. As a consequence, unless another rule disallows a deduction, for taxable years 2025 through 2028 a deduction is allowed for qualified passenger vehicle loan interest.

Qualified passenger vehicle loan interest

For purposes of this rule, qualified passenger vehicle loan interest means any interest that is paid or accrued during the taxable year on indebtedness incurred by the taxpayer after December 31, 2024 for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use (referred to below as "auto acquisition indebtedness").

Qualified passenger vehicle loan interest does not include—

1. A loan to finance fleet sales,

2. A personal cash loan secured by a vehicle previously purchased by the taxpayer,

3. A loan incurred for the purchase of a commercial vehicle that is not used for personal purposes,

4. Any lease financing,

5. A loan to finance the purchase of vehicle with a salvage title, or

6. A loan to finance the purchase of a vehicle intended to be used for scrap or parts.

The provision limits the amount of interest that a taxpayer may take into account in a taxable year as qualified passenger vehicle loan interest to $10,000.

The provision reduces the amount that is otherwise allowable as a deduction for qualified passenger vehicle loan interest (after taking into account the $10,000 limitation) by 20 percent of the amount by which a taxpayer's modified adjusted gross income ("modified AGI") exceeds $100,000 (or, in the case of married individuals filing a joint return, $200,000). Accordingly, for a taxpayer with an otherwise allowable deduction of $10,000, the deduction is fully eliminated when modified AGI is at least $150,000 ($250,000 in the case of a joint return). For purposes of this income-based phaseout, modified AGI is adjusted gross income determined after application of sections 86, 135, 137, 219, 221, and 469 (other Code provisions that require determination of modified AGI) and without regard to the provision and the exclusions under sections 911, 931, and 933.[232]

For purposes of the exclusion from personal interest for qualified passenger vehicle loan interest, an applicable passenger vehicle is any vehicle that is manufactured primarily for use on public streets, roads, and highways; that has at least two wheels; and that is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle. An all-terrain vehicle designed for use on land is also an applicable passenger vehicle. For this purpose an all-terrain vehicle is defined as any motorized vehicle that has three or four wheels, a seat designed to be straddled by the operator, and handlebars for steering control, An applicable passenger vehicle also includes any trailer, camper, or vehicle (designed for use on land) that is designed to provide temporary living quarters for rec-

[232] The provision makes conforming changes to the definitions of modified AGI in these other sections.

reational, camping, or seasonal use and that is a motor vehicle or is designed to be towed by, or affixed to, a motor vehicle.

A vehicle is an applicable passenger vehicle only if the vehicle's final assembly occurs in the United States.

For purposes of the U.S. final assembly requirement, final assembly is the process by which a manufacturer produces a vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer or importer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.

Interest on indebtedness may be considered qualified passenger vehicle loan interest if the indebtedness is incurred to refinance acquisition indebtedness, but only to the extent that the amount of this refinancing indebtedness does not exceed the amount of the acquisition indebtedness and only if the refinancing indebtedness is secured by a first lien on the applicable passenger vehicle with respect to which the acquisition indebtedness was incurred.

Indebtedness that is owed to a person related to the taxpayer within the meaning of section 267(b) or 707(b)(1) is not qualified passenger vehicle loan interest.

The deduction for qualified passenger vehicle loan interest is allowed in determining a taxpayer's adjusted gross income, with the consequence that the deduction is allowable to a taxpayer who does not elect to itemize deductions.

The deduction for qualified passenger vehicle loan interest is allowed for purposes of the alternative minimum tax.

REPORTING

The provision provides a new reporting requirement (in new section 6050AA) for interest received on a specified passenger vehicle loan. Any person who is engaged in a trade or business and who receives in the course of that trade or business from any individual at least $600 in a calendar year on a specified passenger vehicle loan must, by a deadline to be prescribed by the Secretary, make a return for each individual from whom the interest was received.

The prescribed return must contain the following information:

1. the name and address of the individual from whom the interest was received,

2. the amount of the interest received for the calendar year,

3. the amount of outstanding principal on the specified passenger vehicle loan at the beginning of the calendar year.

4. the date of the origination of the loan,

5. the year, make, and model of the applicable passenger vehicle that secures the loan (or another description of the vehicle as the Secretary may prescribe), and

6. any other information that the Secretary may prescribe.

A person that is required to make a return under this rule must furnish to each individual whose name is required to be set forth on that return a written statement that includes (1) the name, address, and phone number of the information contact of the person required to make the return, and (2) the information described in items 2 through 6 above. This written statement must be furnished

by January 31 of the year following the calendar year for which the corresponding return was required to be made.

A specified passenger vehicle loan is the indebtedness with respect to which qualified passenger vehicle loan interest (described previously) is paid or accrued.

EFFECTIVE DATE

The provision is effective for indebtedness incurred after December 31, 2024.

ENHANCEMENT OF EMPLOYER-PROVIDED CHILD CARE CREDIT (SEC. 110105 OF THE BILL AND SEC. 45F OF THE CODE)

PRESENT LAW

In general

Taxpayers may claim a general business credit for certain expenses associated with providing child care for their employees. The amount of the credit is equal to 25 percent of qualified child care expenditures and 10 percent of qualified child care resource and referral expenditures for the taxable year.[233] The maximum total credit that may be claimed by a taxpayer cannot exceed $150,000 per taxable year.[234]

Qualified child care expenditures include costs paid or incurred: (1) to acquire, construct, rehabilitate, or expand property that is to be used as part of the taxpayer's qualified child care facility ("qualified construction expenditures");[235] (2) for the operation of the taxpayer's qualified child care facility, including the costs of training and certain compensation for employees of the child care facility, and scholarship programs; or (3) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.[236] Qualified child care expenditures do not include expenses in excess of the fair market value of providing child care.[237]

A qualified child care facility is a facility with the principal use of providing child care assistance that meets all applicable State and local laws and regulations, including any licensing laws.[238] A facility is not treated as a qualified child care facility with respect to a taxpayer unless: (1) its enrollment is open to the employees of the taxpayer; (2) at least 30 percent of the children enrolled in the center are dependents of the taxpayer's employees, if the facility is the principal trade or business of the taxpayer; and (3) use of the facility (or eligibility to use such facility) does not discriminate in favor of highly compensated employees of the taxpayer (within the meaning of section 414(q)).[239]

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[233] Sec. 45F(a).

[234] Sec. 45F(b).

[235] The property must be subject to depreciation or amortization and must not be part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer.

[236] Sec. 45F(c)(1)(A).

[237] Sec. 45F(c)(1)(B).

[238] Sec. 45F(c)(2)(A). If the facility is the principal residence (within the meaning of section 121) of the operator of the facility, it does not satisfy the "principal use of providing child care assistance" requirement.

[239] Sec. 45F(c)(2)(B).

Qualified child care resource and referral expenditures are amounts paid or incurred under a contract to provide child care resource and referral services to an employee of the taxpayer.[240] These services must be provided (or be eligible for use) in a way that does not discriminate in favor of highly compensated employees of the taxpayer (within the meaning of section 414(q)).[241]

Denial of double benefit and recapture

No deduction or credit is allowed with respect to the amount of credit claimed for qualified child care expenditures and qualified child care resource and referral expenditures.[242] Additionally, if the credit is taken with respect to qualified construction expenditures, the taxpayer's basis in the property acquired, constructed, rehabilitated, or expanded is reduced by the amount of the credit attributable to such expenditures.[243]

A credit claimed with respect to qualified construction expenditures is subject to recapture for the first ten years after the qualified child care facility is placed in service. Under the recapture provision, a percentage of the credit claimed with respect to qualified construction expenditures is treated as an increase in tax liability in the year of recapture.[244] The recapture percentage is reduced over the 10-year recapture period:[245]

If the recapture event occurs in:	The applicable recapture percentage is:
Years 1–3	100
Year 4	85
Year 5	70
Year 6	55
Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0

A recapture event occurs if the taxpayer either (1) ceases operation of the qualified child care facility or (2) transfers its interest in the qualified child care facility without securing an agreement to assume recapture liability for the transferee.[246] The recapture tax is not treated as a tax for purposes of determining the amount of other income tax credits or for determining the amount of the alternative minimum tax.[247] Only a credit that previously reduced tax liability may result in an increase in tax liability under the recapture rule; if the credit resulted in a carryforward or carryback,

[240] Sec. 45F(c)(3)(A).
[241] Sec. 45F(c)(3)(B).
[242] Sec. 45F(f)(2).
[243] Sec. 45F(f)(1)(A).
[244] Sec. 45F(d)(1).
[245] Sec. 45F(d)(2).
[246] Sec. 45F(d)(3). Cessation of operations due to a casualty loss is not a recapture event to the extent that the loss is restored by reconstruction or replacement of the facility within a reasonable period established by the Secretary. Sec. 45F(d)(4)(C).
[247] Sec. 45F(d)(4)(B).

the recapture instead causes an adjustment of the carryforward or carryback.[248]

Any increase in tax liability or adjustment of carryforward or carrybacks is treated as an increase in basis immediately before the event giving rise to the recapture.[249] Thus, the taxpayer is not subject to both a reduction of basis and recapture, and may use the increase in basis to offset any gain on disposition of the facility (if applicable).

Special rules

All persons treated as a single employer under sections 52(a) and (b) are treated as single taxpayer for purposes of the credit.[250] There are guidelines that govern the allocation of the credit between a trust or estate and the beneficiaries of such trust or estate, and for the allocation of the credit among partners in a partnership.[251]

REASONS FOR CHANGE

The Committee believes the employer-provided child care credit can be a useful tool to improve access to and the affordability of child care inworking families. Currently, the relatively low amount of the credit as well as the restrictions on the use of the credit result in very few taxpayers claiming the credit each year. The Committee believes expanding the types of child care options eligible for the credit and increasing the credit from 40 percent (or 50 percent in the case of small businesses) as well as raising the overall limitation on the credit (to $500,000, or $600,000 for small businesses) will significantly improve the take-up rate of the credit, and thereby improve the supply of child care options for individual households.

EXPLANATION OF PROVISION

The provision increases the employer-provided child care credit to 40 percent of qualified child care expenditures (50 percent for eligible small businesses) in addition to 10 percent of qualified referral expenses allowed under present law. The total credit limit is increased to $500,000 ($600,000 for small businesses), adjusted for inflation.

The provision provides for a small business gross receipts test of less than or equal to $25 million (inflation adjusted)[252] based on the 5-year period (rather than 3-year period) preceding the taxable year. In 2025, the small business gross receipts threshold is $31 million.

The definition of qualified child care expenditures is expanded to include amounts paid or incurred under a contract with a third-party that contracts with one or more qualified child care facilities to provide child care services. In addition, the definition of qualified child care facilities is expanded to allow for qualified child care fa-

[248] Sec. 45F(d)(4)(A). The carryforward and carryback rules for the general business credit are provided in section 39.
[249] Sec. 45F(f)(1)(B).
[250] Sec. 45F(e)(1).
[251] Sec. 45F(e)(2), (3).
[252] Sec. 448(c).

cilities that are jointly owned or operated by the taxpayer and other entities or persons.

The Secretary is directed to issue regulations as necessary.

EFFECTIVE DATE

The provision is effective for amounts paid or incurred after December 31, 2025.

EXTENSION AND ENHANCEMENT OF PAID FAMILY AND MEDICAL LEAVE CREDIT (SEC. 110106 OF THE BILL AND SEC. 45S OF THE CODE)

PRESENT LAW

In general

The Family and Medical Leave Act of 1993, as amended (the "FMLA"), generally requires employers to provide employees with up to 26 weeks of leave under certain circumstances.[253] In general, FMLA does not require that the employer continue to pay employees during such leave, although employers may choose to pay for all or a portion of such leave. State and local governments may provide, or State and local laws may require employers to provide, employees with up to a certain amount of paid leave for types of leave that may or may not fall under the FMLA.

Employer credit for paid family and medical leave

For wages paid in taxable years beginning after December 31, 2017, and before January 1, 2026, "eligible employers" may claim a general business credit, under section 45S, equal to 12.5 percent of the amount of eligible wages (based on the normal hourly wage rate) paid to "qualifying employees" during any period in which such employees are on "family and medical leave" if the rate of payment under the program is 50 percent of the wages normally paid to an employee for actual services performed for the employer.[254] The credit is increased by 0.25 percentage points (but not above 25 percent) for each percentage point by which the rate of payment exceeds 50 percent. The maximum amount of family and medical leave that may be taken into account with respect to any qualifying employee for any taxable year is 12 weeks.

An "eligible employer" is one which has in place a written policy that allows all qualifying full-time employees not less than two weeks of annual paid family and medical leave, and which allows all less-than-full-time qualifying employees a commensurate amount of leave (on a pro rata basis) compared to the leave provided to full-time employees. The policy must also provide that the rate of payment under the program is not less than 50 percent of the wages normally paid to any such employee for services performed for the employer.[255]

In addition, in order to be an eligible employer, the employer is prohibited from certain practices or acts which are also prohibited

[253] Pub. L. No. 103–3, February 5, 1993.

[254] Sec. 45S. Wages for this purpose are Federal Unemployment Tax Act wages defined in section 3306(b), without regard to the dollar limitation, but do not include amounts taken into account for purposes of determining any other credit under subpart D of the Code. Sec. 45S(g).

[255] Sec. 45S(c).

under the FMLA, regardless of whether the employer is subject to the FMLA. Specifically, the employer must provide paid family and medical leave in compliance with a written policy that ensures that the employer will not interfere with, restrain, or deny the exercise of or the attempt to exercise, any right provided under the policy and will not discharge or in any other manner discriminate against any individual for opposing any practice prohibited by the policy.

A "qualifying employee" means any individual who is an employee under tax rules and principles and is defined in section 3(e) of the Fair Labor Standards Act of 1938,[256] as amended, who has been employed by the employer for one year or more, and who for the preceding year, had compensation not in excess of 60 percent of the compensation threshold in such year for highly compensated employees.[257] For 2025, this 60 percent amount is $96,000.

"Family and medical leave" for purposes of new section 45S is generally defined as leave described under sections 102(a)(1)(A)–(E) or 102(a)(3) of the FMLA.[258] If an employer provides paid leave as vacation leave, personal leave, or other medical or sick leave[259] (unless the medical or sick leave is specifically for one or more of the "family and medical leave" purposes defined above), such paid leave would not be considered to be family and medical leave. In addition, leave paid for by a State or local government or required by State or local law (including such leave required to be paid by the employer) is not taken into account in determining the amount of paid family and medical leave provided by the employer that is eligible for the credit.

A taxpayer may elect not to have the rules under section 45S apply for a taxable year. All persons treated as a single employer under sections 52(a) and (b) are treated as a single taxpayer.[260] Under IRS guidance, this aggregation rule applies only for purposes of the taxpayer's election not to have section 45S apply.[261]

The Secretary will make determinations as to whether an employer or an employee satisfies the applicable requirements for an eligible employer or qualifying employee, based on information provided by the employer that the Secretary determines to be necessary or appropriate.

REASONS FOR CHANGE

The Committee believes that paid family and medical leave is an important benefit for workers and wishes to further encourage employers to offer this benefit by expanding and making the credit

[256] Pub. L. No. 75–718, June 25, 1938.

[257] Sec. 414(q)(1)(B) ($160,000 for 2025).

[258] FMLA section 102(a)(1) provides leave for FMLA purposes due to (A) the birth of a son or daughter of the employee and in order to care for such son or daughter; (B) the placement of a son or daughter with the employee for adoption or foster care; (C) caring for the spouse, or a son, daughter, or parent, of the employee, if such spouse, son, daughter, or parent has a serious health condition; (D) a serious health condition that makes the employee unable to perform the functions of the employee's position; (E) any qualifying exigency (as the Secretary of Labor shall, by regulation, determine) arising out of the fact that the spouse, or a son, daughter, or parent of the employee is on covered active duty (or has been notified of an impending call or order to covered active duty) in the Armed Forces. In addition, FMLA section 102(a)(3) provides leave for FMLA purposes due to the need of an employee who is a spouse, son, daughter, parent, or next-of-kin of an eligible service member to care for such service member.

[259] These terms mean these types of leave within the meaning of FMLA section 102(d)(2).

[260] Sec. 45S(c)(3). Secs. 52(a) and (b) describe controlled groups of corporations and organizations such as partnerships and proprietorships under common control.

[261] Notice 2018–71, 2018–41 I.R.B. 548, October 9, 2018, Q&A 33.

permanent. The Committee believes that employers should receive the credit not only for paying wages to employee who are on leave, but also for purchasing insurance policies that offer paid family and medical leave. In addition, The Committee believes that an employer should generally only receive the paid family and medical leave credit if all qualifying employees in the employer's controlled group are eligible for paid family and medical leave.

EXPLANATION OF PROVISION

The provision extends the paid family and medical leave credit permanently. It also modifies the credit to allow it to be claimed for an applicable percentage of premiums paid or incurred by an eligible employer during a taxable year for insurance policies that provide paid family and medical leave for qualifying employees. Similar to the applicable percentage that applies in the case of wages paid to employees who are on leave, the applicable percentage in the case of an insurance policy is equal to 12.5 percent if the rate of payment under the policy is 50 percent of wages normally paid to an employee, and is increased by 0.25 percentage points (but not above 25 percent) for each percentage point by which the rate of payment exceeds 50 percent of wages normally paid. The rate of payment is determined without regard to whether any qualifying employees were actually on family and medical leave during the taxable year. Under the provision, the employer elects whether to claim the credit based on wages paid or on premiums paid. (Thus, the credit cannot be claimed for both premiums paid on an insurance policy and wages paid under such insurance policy).

The provision also includes an aggregation rule that provides that employers within the same controlled group are treated as a single employer under section 45S.[262] Thus, in order for an employer to qualify for the credit, each member of the controlled group must have a written policy providing paid family and medical leave that meets the requirements of section 45S. An exception exists for a person who establishes to the satisfaction of the Secretary that such person has a substantial and legitimate business reason for failing to provide such a written policy. For this purpose, "substantial and legitimate business reason" does not include the operation of a separate line of business, the rate of wages or category of jobs for employees (or any similar basis), or the application of State of local laws relating to family and medical leave, but it may include the grouping of employees of a common law employer. However, the provision also modifies the rule relating to paid leave mandated by a State or local government to provide that such leave is taken into account in determining the amount of paid family and medical leave provided by the employer, except for purposes of determining the amount of the credit. Thus, an employer that is otherwise eligible to receive the section 45S credit would not fail to be eligible merely because another member of the employer's con-

[262] The provision provides that all persons treated a single employer under section 414(b) and (c) of the Code are treated as a single employer. This rule modifies the present law aggregation rule in section 45S(c)(4), which treats members within the same controlled group as a single taxpayer.

trolled group provides paid leave under a State or locally mandated policy.

Employers are permitted under the provision to treat employees who have been employed for at least six months as qualifying employees (assuming the employee otherwise meets the definition of a qualifying employee). For purposes of the compensation limit that applies to qualifying employees, the provision provides that compensation is determined on an annualized basis, except that it is determined pro rata for part-time employees. An employee must be customarily employed for at least 20 hours per week in order to be considered qualifying.

Under the provision, certain offices of the Small Business Administration must conduct outreach regarding the paid family and medical leave credit to relevant parties, including through targeted communications, education, training, technical assistance, and the development of a written paid family leave policy. The provision also directs the Secretary to perform targeted outreach to employers and other relevant entities regarding the availability and requirements of the credit, including providing relevant information as part of IRS communications that are regularly issued to payroll service entities, tax professionals, and small businesses.

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2025.

ENHANCEMENT OF ADOPTION CREDIT (SEC. 110107 OF THE BILL AND SEC. 23 OF THE CODE)

PRESENT LAW

In general

A taxpayer is allowed a nonrefundable income tax credit for the amount of qualified adoption expenses that the taxpayer pays or incurs (the "adoption tax credit").[263] The adoption credit is allowed only to individual taxpayers, not to partnerships, corporations, or other entities.

For an expense paid or incurred before the taxable year in which an adoption becomes final, the credit is allowed for the taxable year after the year in which the expense is paid or incurred.[264] For an expense paid or incurred in the year in which an adoption becomes final or in a later year, the credit is allowed for the year in which the expense is paid or incurred.[265]

In 2025 the total amount of qualified adoption expenses that a taxpayer is permitted to take into account for all taxable years with respect to the taxpayer's adoption of a child is $17,280.[266] A taxpayer's 2025 maximum total $17,280 of qualified adoption expenses is reduced ratably over a $40,000 income range as the taxpayer's adjusted gross income increases above $259,190; the adop-

[263] Sec. 23.
[264] Sec. 23(a)(2)(A).
[265] Sec. 23(a)(2)(B).
[266] Sec. 23(b)(1), (h).

tion tax credit is, as a consequence, eliminated for a taxpayer with adjusted gross income of $299,190 or more.[267]

The maximum amount of qualified adoption expenses that may be taken into account in determining a taxpayer's credit and the amount of adjusted gross income at which this maximum expense amount begins to be reduced are adjusted annually for inflation.[268]

Qualified adoption expenses

Qualified adoption expenses are reasonable and necessary adoption fees, court costs, attorney fees, and other expenses that—

- are directly related to and have as their principal purpose a taxpayer's legal adoption of an eligible child;
- are not incurred in violation of State or Federal law or in carrying out any surrogate parenting arrangement;
- are not expenses in connection with an individual's adoption of a child who is the child of the individual's spouse, and
- are not reimbursed under an employer program or otherwise.[269]

An eligible child is any individual who is younger than age 18 or who is physically or mentally incapable of caring for himself or herself.[270]

Special needs adoption

If a taxpayer adopts a child with special needs, the taxpayer is treated as having paid during the year in which the adoption becomes final an amount of qualified adoption expenses equal to the excess of (1) $17,280 (in 2025) over (2) the amount of total qualified adoption expenses the taxpayer actually paid or incurred in respect of the adoption in that year and all prior years.[271]

For example, if a taxpayer's adoption of a child with special needs becomes final in 2025 and the taxpayer actually spent a total of $9,000 in qualified adoption expenses related to the adoption in 2024 (and no other amounts in any other year), the taxpayer is treated as having paid $8,280 in qualified adoption expenses in 2025 in addition to the $9,000 of actual expenses taken into account for 2024. Assuming the taxpayer's adjusted gross income in 2025 does not exceed $259,190, and assuming the other adoption tax credit requirements are satisfied, the taxpayer is allowed a nonrefundable credit of $17,280 in 2025 ($9,000 of actual expenses plus $8,280 of deemed expenses).

A child with special needs is any child if (1) a State has determined that the child cannot or should not be returned to the home

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[267] Sec. 23(b)(2)(A). For purposes of the income-based reduction of the adoption tax credit, adjusted gross income is determined without regard to the foreign earned income exclusion (section 911), the exclusion for certain income from American Samoa, Guam, or the Northern Mariana Islands (section 931), and the exclusion for certain income from Puerto Rico sources (section 933). Sec. 23(b)(2)(B).

[268] Sec. 23(h).

[269] Sec. 23(d)(1). An employee is allowed to exclude from gross income amounts that the employee's employer pays or incurs for qualified adoption expenses in connection with the employee's adoption of a child if the amounts are furnished under an adoption assistance program. Sec. 137. The maximum amount of qualified adoption expenses taken into account for purposes of this exclusion, the income-based reduction in the amount of expenses taken into account, the definition of qualified adoption expenses, and the rules for special needs adoptions (described next), are the same as the corresponding rules for the adoption tax credit. Sec. 137(a)(2), (b), (d), (e), (f).

[270] Sec. 23(d)(2).

[271] Sec. 23(a)(3).

of the child's parents, (2) the State has determined that, because of a specific factor or condition related to the child (for example, the child's age, ethnic background, membership in a minority or sibling group, or a medical condition or physical, mental, or emotional handicap), it is reasonable to conclude that the child cannot be placed with adoptive parents without providing adoption assistance, and (3) the child is a citizen or resident of the United States.[272]

Carryforward of unused credit

If the amount of adoption tax credit that is allowable to a taxpayer for any year exceeds the excess of (1) the taxpayer's income tax liability (less the amount of the taxpayer's allowable foreign tax credit, and including any amount of alternative minimum tax) for that year over (2) the sum of other nonrefundable income tax credits (other than the section 25D residential clean energy credit) (items (1) and (2) referred to below as the "tax liability limitation"), the excess allowable adoption tax credit is carried to the succeeding taxable year and is added to the adoption tax credit otherwise allowable in that year.[273] No credit may be carried forward under this rule for more than five years after the year in which the credit arose.[274]

REASONS FOR CHANGE

The Committee believes that the adoption tax credit serves an important role in helping adoptive parents afford the high costs of adoption. Making the credit partly refundable will give more assistance to individuals and families of modest means who hope to adopt children.

EXPLANATION OF PROVISION

The provision treats up to $5,000 of the adoption tax credit as refundable. This $5,000 maximum refundable amount is indexed for inflation starting in 2026.

The provision limits the maximum amount of the present law five-year carryforward of the portion of an adoption tax credit that a taxpayer is not permitted to use because it is exceeds the taxpayer's tax liability limitation. Under the provision the maximum amount of an unused adoption tax credit that may be carried forward is limited to the maximum amount of the adoption tax credit that is nonrefundable ($12,280 in 2025 (which equals the $17,280 maximum credit minus the $5,000 refundable portion)).

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2024.

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[272] Sec. 23(d)(3).

[273] Sec. 23(c)(1).

[274] Sec. 23(c)(2). For purposes of this five-year carryforward limitation, credits are treated as used on a first-in, first-out basis. *Ibid*.

RECOGNIZING INDIAN TRIBAL GOVERNMENTS FOR PURPOSES OF DETERMINING WHETHER A CHILD HAS SPECIAL NEEDS FOR PURPOSES OF THE ADOPTION CREDIT (SEC. 110108 OF THE BILL AND SEC. 23(d)(3) OF THE CODE)

PRESENT LAW

In general

For a description of the adoption credit, see *supra* the description of present law for section 110106, Adoption expenses credit made partially refundable.

Special needs adoption

If a taxpayer adopts a child with special needs, the taxpayer is treated as having paid during the year in which the adoption becomes final an amount of qualified adoption expenses equal to the excess of (1) $17,250 (in 2025) over (2) the amount of total qualified adoption expenses the taxpayer actually paid or incurred in respect of the adoption in that year and all prior years.[275]

A child with special needs is any child if (1) a State has determined that the child cannot or should not be returned to the home of the child's parents, (2) the State has determined that, because of a specific factor or condition related to the child (for example, the child's age, ethnic background, membership in a minority or sibling group, or a medical condition or physical, mental, or emotional handicap), it is reasonable to conclude that the child cannot be placed with adoptive parents without providing adoption assistance, and (3) the child is a citizen or resident of the United States.[276]

Indian tribal government

An Indian tribal government is treated as a State only if (a) a particular Code section specifically so provides, or (b) the Code section is listed in section 7871, which treats Indian tribal governments as States for certain purposes. Neither section 23 nor section 7871 provides that an Indian tribal government is to be treated as a State for purposes of the adoption credit. Thus, a determination by an Indian tribal government that a child is a child with special needs would not be sufficient to entitle the adoptive parents to a credit for an adoption of a child with special needs.

REASONS FOR CHANGE

Present law prevents an Indian tribal government from determining whether a child has special needs for purposes of the adoption tax credit. This limitation creates a disparity between States and Indian tribal governments to the detriment of special needs children. The Committee believes the law should be changed to correct this disparity and mitigate the financial burden of those taxpayers who adopt a child with special needs, irrespective of which government entity has made the special need determination.

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[275] Sec. 23(a)(3).
[276] Sec. 23(d)(3).

EXPLANATION OF PROVISION

The provision provides an Indian tribal government the same authority as a State for purposes of determining a child is a child with special needs for the adoption credit.

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2024.

TAX CREDIT FOR CONTRIBUTIONS OF INDIVIDUALS TO SCHOLARSHIP GRANTING ORGANIZATIONS (SEC. 110109 OF THE BILL AND NEW SECS. 25F AND 4969 OF THE CODE)

PRESENT LAW

Charitable contribution deduction

In computing taxable income, an individual taxpayer who itemizes deductions or a corporate taxpayer generally is allowed to deduct the amount of cash and the fair market value of property contributed to an organization described in section 501(c)(3) or to a Federal, State, or local governmental entity, including to most educational organizations.[277]

The amount of the deduction allowable for a taxable year with respect to a charitable contribution of property may be reduced depending on the type of property contributed, the type of charitable organization to which the property is contributed, and the income of the taxpayer.[278] For individual taxpayers, the income-based limitation on the charitable contribution deduction is higher for gifts made to public charities than for gifts made to private foundations. Contributions of cash to a public charity generally are deductible up to 60 percent[279] of the donor's adjusted gross income ("AGI")[280] (30 percent for capital gain property, and 50 percent for non-capital gain property other than cash), whereas contributions to most private foundations generally are deductible up to 30 percent of the donor's AGI (20 percent for capital gain property).[281] For corporate taxpayers, the deductible amount of charitable contributions generally is limited to 10 percent of taxable income.[282] For all taxpayers, gifts of capital gain property to a public charity generally are deductible at the property's fair market value,[283] whereas gifts of capital gain property (other than publicly traded stock) to most

[277] Within certain limitations, donors also are entitled to deduct such contributions for estate and gift tax purposes. See secs. 2055 and 2522.

[278] Sec. 170(b) and (e).

[279] For contributions made in taxable years beginning after December 31, 2025, the 60-percent limit is reduced to 50 percent. Sec. 170(b)(1)(G)(i).

[280] The charitable percentage limits are applied to the donor's "contribution base," which is the donor's AGI computed without regard to any net operating loss carryback to the taxable year under section 172. Sec. 170(b)(1)(H).

[281] Sec. 170(b)(1).

[282] Sec. 170(b)(2).

[283] Sec. 170(e)(1). However, contributions of tangible personal property not for an exempt purpose of the donee organization are deductible at the taxpayer's basis in the property. Sec. 170(e)(1)(B)(i). A special rule determines the aggregate deduction for contributions of certain intellectual property. Sec. 170(e)(1)(B)(iii) and 170(m).

private foundations are deductible at the taxpayer's basis (cost) in the property.[284]

Qualified scholarships and qualified tuition reduction

Present law provides an exclusion from gross income for income tax purposes and from wages for employment tax purposes for amounts received as a qualified scholarship by an individual who is a candidate for a degree at an educational organization described in section 170(b)(1)(A)(ii) (a "qualifying educational organization").[285] In general, a qualified scholarship is any amount received by such an individual as a scholarship or fellowship grant if the amount is used for qualified tuition and related expenses. Qualified tuition and related expenses include tuition and fees required for enrollment or attendance, or for fees, books, supplies, and equipment required for courses of instruction, at the qualifying educational organization. This definition does not include regular living expenses, such as room and board. A qualifying educational organization is an educational organization that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. These institutions include K–12 schools.

Present law also provides an exclusion from gross income for income tax purposes and from wages for employment tax purposes for qualified tuition reductions for certain education (below the graduate level) that is provided to employees (and their spouses and dependents) of qualifying educational organizations.[286] The education must be provided at the employing organization or another qualifying educational organization. This exclusion does not apply to any amount received by a student that represents payment for teaching, research, or other services by the student required as a condition for receiving the tuition reduction.

Gift tax exclusion for educational expenses

Under present law, gift tax is imposed on transfers of property by gift, subject to several exceptions. One exception is the gift tax annual exclusion of section 2503(b). Under this exclusion, a donor can transfer up to $18,000 of property to each of an unlimited number of donees without incurring gift tax on such transfers.[287]

In addition to the gift tax annual exclusion, the Code provides that certain tuition payments are not considered transfers of property by gift for gift tax purposes.[288] This exclusion covers amounts paid on behalf of an individual as tuition to a qualifying educational organization. An unlimited exclusion applies only to direct transfers to the educational institution, not to reimbursements to donees for amounts paid by them for otherwise qualifying services, or to trusts to provide for the education of designated bene-

[284] Sec. 170(e)(1)(B)(ii) and 170(e)(5).
[285] Secs. 117(a) and 3121(a)(20).
[286] Secs. 117(d) and 3121(a)(20).
[287] The Code provides an amount of $10,000 for the maximum gift tax annual exclusion, adjusted in $1,000 increments for inflation occurring after 1997. The inflation-adjusted amount for 2024 is $18,000.
[288] Sec. 2503(e).

ficiaries.[289] Further, an unlimited exclusion is not permitted for books, supplies, dormitory fees, board, or other similar expenses that do not constitute direct tuition costs.[290] This exclusion applies without regard to the relationship of the donor and donee.

REASONS FOR CHANGE

The Committee believes that contributions to charitable organizations that provide scholarships for elementary and secondary school expenses and expand educational freedom for parents and students should be encouraged. Qualified Elementary and Secondary Education Scholarships are valuable tools for millions of American families and students to help parents and students have access to the right school that best meets a student's needs. The Committee believes the use of elementary and secondary education scholarships should be expanded to help ease the educational cost burden for parents and expand educational opportunities for students. Because of the education divide at the state level, many states have not adopted school choice programs that promote parental choice and educational freedom for students. By offering this incentive at the federal level, the Committee believes that this will expand affordable education options across America so that students receive the education most tailored to their individual needs. Ultimately, the Committee believes that a new income tax credit to encourage giving to these organizations will help to promote school choice, parental choice, and educational freedom.

EXPLANATION OF PROVISION

Tax credit for contributions of individuals to scholarship granting organizations

Individual income tax credit

The provision creates a nonrefundable income tax credit that is equal to the aggregate amount of qualified contributions made by the taxpayer during the taxable year. The credit allowed to a taxpayer for a taxable year may not exceed the greater of 10 percent of the taxpayer's aggregate gross income or $5,000. An individual is allowed the credit only to the extent that the Secretary of the Treasury (the "Secretary"), subject to an aggregate volume cap that is described below, allocates the credit to the individual.

For purposes of the credit, a "qualified contribution" is a charitable contribution (within the meaning of section 170(c)) to a scholarship granting organization in the form of cash or marketable securities. The amount allowed as a credit to a taxpayer for a taxable year is reduced by the amount allowed as a credit on any State tax return of the taxpayer for qualified contributions made by the taxpayer during the taxable year. The provision provides that any qualified contribution for which a credit is allowed is not taken into account as a charitable contribution for purposes of section 170.

A "scholarship granting organization" is any organization (a) that is described in section 501(c)(3), is exempt from tax under section 501(a), and is not a private foundation; (b) substantially all of the

[289] Treas. Reg. sec. 25.2503–6(c), ex. 2.
[290] Treas. Reg. sec. 25.2503–6(b)(2).

activities of which are providing scholarships for qualified elementary or secondary education expenses of eligible students; (c) that prevents the co-mingling of qualified contributions with other amounts by maintaining one or more separate accounts exclusively for qualified contributions; and (d) that either meets the requirements to be a scholarship granting organization (discussed below) or was eligible on the date of enactment to receive contributions for which the donor is entitled to a State tax credit if the contributions are used by the organization to provide scholarships. An "eligible student" is an individual who is a member of a household with annual income of no greater than 300 percent of the area median gross income (within the meaning of that term in section 42) and is eligible to enroll in a public elementary or secondary school.

An organization meets the requirements of a scholarship granting organization (referred to above) only if (a) the organization provides scholarships to two or more students at two or more schools, (b) the organization does not provide scholarships for expenses other than qualified elementary or secondary education expenses, (c) the organization provides scholarships to eligible students with a priority for students awarded a scholarship the previous year and their siblings, (d) the organization does not earmark or set aside contributions for scholarships for any particular student, (e) the organization takes appropriate steps to verify the income and family size of eligible students to whom it awards scholarships, and limits scholarships to individuals in households with annual household income that meets the limits set forth in the definition of an eligible student (the "income verification requirement"), (f) the organization obtains from an independent certified public accountant[291] annual financial and compliance audits and certifies to the Secretary that the audit has been completed, and (g) no officer or board member of the organization has been convicted of a felony.

The term "qualified elementary or secondary education expense" means the following expenses in connection with enrollment or attendance at, or for students enrolled at or attending, an elementary or secondary public, private, or religious school: tuition; curriculum and curricular materials; books or other instructional materials; online educational materials; tuition for certain tutoring or educational classes outside of the home;[292] fees for a nationally standardized norm-referenced achievement test, an Advanced Placement examination, or any examinations related to college or university admission; fees for dual enrollment in an institution of higher education; and educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider. Such expenses include expenses in connection with a homeschool (whether treated as a homeschool or a private school for purposes of applicable State law). However, such expenses do not include amounts paid to an elementary or secondary school unless the school demonstrates that it maintains an admissions policy which provides

[291] For purposes of this requirement, the term "independent certified public accountant" means a certified public accountant who is not a person described in section 465(b)(3)(A) (*i.e.*, having an interest, or being a related person to a person having an interest) with respect to such organization or any employee of such organization.

[292] Such tuition is a qualified expense only if the tutor or instructor is not related to the student and is licensed as a teacher in any State, has taught at an eligible educational institution, or is a subject matter expert in the relevant subject.

that the school does not take into account whether the student seeking enrollment has a current individualized education plan or whether the student requires equitable services for a learning disability, and if a student does have such an individualized education plan, the school abides by the plan's terms and provides services outlined in the plan.

A scholarship granting organization can satisfy the income verification requirement, discussed above, by reviewing all of the following documents (as applicable): (1) Federal and State income tax returns or tax return transcripts with applicable schedules for the taxable year prior to application, (2) income reporting statements for tax purposes or wage and income transcripts from the Internal Revenue Service, (3) notarized income verification letter from employers, (4) unemployment or workers compensation statements, and (5) budget letters regarding public assistance payments and Supplemental Nutrition Assistance Program ("SNAP") payments including a list of household members.

The credit is a nonrefundable personal tax credit taken against income tax liability. The credit is allowable against both the regular tax and the alternative minimum tax under section 26(a). If the credit allowable for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of nonrefundable personal tax credits (other than the individual credit under the provision and the credits allowable under section 23 and section 25D), the excess is carried to the succeeding taxable year and added to the credit allowable for such taxable year. However, no credit may be carried forward to any taxable year following the fifth taxable year after the taxable year in which the credit arose. For this purpose, credits are treated as used on a first-in, first-out basis.

The provision provides rules against self-dealing, such that a scholarship granting organization may not award a scholarship to a disqualified person. For this purpose, a disqualified person is determined pursuant to rules similar to rules in section 4946, and includes, for example, substantial contributors, founders, and family members of substantial contributors and founders.

Failure of scholarship granting organizations to make distributions

If the Secretary determines that a scholarship granting organization has not satisfied one or more of the distributional requirements, described below, any contribution made to the organization during the first taxable year beginning after the date of the determination is not treated as a qualified contribution for purposes of the tax credit for individuals created under the provision.

Under the provision, the amount of receipts of the scholarship granting organization for the taxable year which are distributed before the distribution deadline with respect to such receipts must be at least equal to the required distribution amount for the taxable year. The "required distribution amount" with respect to a taxable year is equal to 100 percent of the total receipts of the scholarship granting organization for the taxable year, (a) reduced by the sum of the receipts that are retained for reasonable administrative expenses for the taxable year or are carried to the succeeding taxable

year, and (b) increased by the amount of carryover from the preceding taxable year. Administrative expenses of a scholarship granting organization are deemed to be reasonable if the expenses do not exceed 10 percent of the organization's total receipts for the taxable year. At the election of the scholarship granting organization, an amount of up to 15 percent of the total receipts of the organization may be carried to the succeeding taxable year.

Under the provision, a "distribution" includes amounts which are formally committed but not distributed. A formal commitment may include contributions set aside for eligible students for more than one year. The distribution deadline with respect to receipts for a taxable year is the first day of the third taxable year following the taxable year in which the scholarship granting organization receives the receipts.

Volume cap

The provision sets an aggregate volume cap on the total amount of credits at $5 billion for each of calendar years 2026 through 2029, and zero for any calendar years after 2029. In the case of a calendar year for which the volume cap is in effect and which follows a high use calendar year, the volume cap is increased to 105 percent of the dollar amount in effect for the high use calendar year. The term "high use calendar year" means any calendar year for which 90 percent or more of the volume cap in effect for such calendar year is allocated to taxpayers. The provision provides that the volume cap in effect for a calendar year must at least equal the volume cap in effect for the preceding calendar year. Thus, if the volume cap is increased in a year following a high-use calendar year, it is not subsequently reduced.

Generally, for purposes of allocating volume cap for a calendar year, the Secretary is directed to allocate the credit on a first-come, first-served basis, based on the time (during that calendar year) at which the taxpayer made the qualified contribution with respect to which the allocation is made. The Secretary may not allocate volume cap for a calendar year after December 31 of that calendar year. However, 10 percent of the annual volume cap is evenly divided among the States,[293] with such amounts being available to individuals residing in such States. The Secretary is directed to develop a system to track the amount of qualified distributions made during the calendar year for which a credit may be claimed, with such information updated in real time.

EFFECTIVE DATE

The provision is effective for taxable years ending after December 31, 2025.

[293] For purposes of the volume cap, the term "State" includes the District of Columbia. Therefore, for calendar year 2026, a total of $500 million (10 percent of $5 billion) is divided equally among the 50 States and the District of Columbia, with each State receiving approximately $9.8 million in allocations.

ADDITIONAL ELEMENTARY, SECONDARY, AND HOME SCHOOL EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS (SEC. 110110 OF THE BILL AND SEC. 529 OF THE CODE)

PRESENT LAW

Section 529 qualified tuition programs

To describe programs that are known colloquially as 529 plans, the Code uses the term "qualified tuition programs" and distinguishes between two types of programs.[294] One type of program, sometimes referred to as a prepaid tuition program, allows a person to purchase on behalf of a designated beneficiary tuition credits or certificates that entitle the beneficiary to the waiver or payment of the beneficiary's qualified higher education expenses.[295] Prepaid tuition programs are established and maintained by State governments (or their agencies or instrumentalities) and eligible educational institutions.[296] The other type of program, sometimes referred to as a college savings plan, allows a person to make contributions to an account that is established for the purpose of satisfying the qualified higher education expenses of the designated beneficiary of the account.[297] A college savings plan may be established and maintained by State governments (or their agencies or instrumentalities), not by educational institutions.[298]

A qualified tuition program generally is exempt from Federal income taxation (but is subject to unrelated business income tax).[299] As a consequence, contributors to, and beneficiaries of, these programs (whether prepaid tuition programs or college savings plans) generally have no taxable income inclusions from earnings on assets held in the programs.

To be treated as a qualified tuition program that is generally exempt from Federal income taxation, a program must satisfy several requirements. The program must provide that purchases of tuition credits or certificates or contributions to a program must be made only in cash.[300] The program must provide separate accounting for each designated beneficiary.[301] The program must provide that a contributor to, or a designated beneficiary under, the program may direct the investment of any contributions to the program (or earnings on those investment) no more than twice a year.[302] The program must not allow any interest in the program to be used as a security for a loan.[303] The program must provide adequate safeguards to prevent contributions on behalf of a designated beneficiary that exceed the amount necessary to pay the beneficiary's qualified higher education expenses (referred to below as the "prohibition on excess contributions").[304]

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[294] Sec. 529(a), (b).
[295] Sec. 529(b)(1)(A)(i).
[296] *Ibid.*
[297] Sec. 529(b)(1)(A)(ii).
[298] *Ibid.*
[299] Sec. 529(a).
[300] Sec. 529(b)(2).
[301] Sec. 529(b)(3).
[302] Sec. 529(b)(4).
[303] Sec. 529(b)(5).
[304] Sec. 529(b)(6).

When there is a cash distribution under a qualified tuition program, the portion of the distribution that is considered to be earnings on contributions to the account is includible in the gross income of the recipient of the distributions only to the extent that the total amount of cash distributions during the taxable year exceeds the amount of qualified higher education expenses of the account beneficiary during that year.[305] The income tax that is imposed on a recipient of a distribution that is included in the recipient's gross income is, with certain exceptions, increased by 10 percent of the amount of the inclusion.[306]

Qualified higher education expenses include, among other expenses, tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the account beneficiary at an eligible post-secondary educational institution; in the case of a beneficiary who is at least a half-time student, reasonable costs for room and board; expenses for the purchase of computer equipment and software to be used primarily by the beneficiary when enrolled at an eligible educational institution; fees, books, supplies, and equipment required for a beneficiary's participation in an eligible apprenticeship program; up to a $10,000 lifetime maximum in payments of principal and interest on a beneficiary's student loan; and, for certain purposes of section 529—not including for purposes of the prohibition on excess contributions, expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school.[307] There is a $10,000 limitation on the total amount of nontaxable cash distributions that may be made in a taxable year from all qualified tuition programs with respect to a beneficiary to pay for that beneficiary's elementary or secondary school tuition.[308]

For certain purposes, including the rules allowing tax-free distributions from a qualified tuition program to pay qualified higher education expenses, qualified higher education expenses also include amounts for books, supplies, and equipment required for the participation of a beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act. (29 U.S. Code 50).[309]

A contribution to a qualified tuition program is treated as a completed gift for gift tax purposes (and, as a consequence, may benefit from the gift tax annual exclusion).[310] If an individual's total contributions to a qualified tuition program during a year exceed the gift tax annual exclusion amount in that year, the individual may elect to take the total amount of the contributions into account for purposes of the annual exclusion ratably over the five-year period beginning with the year of the excess contributions.[311] An individual's interest in a qualified tuition program generally is excluded from the individual's gross estate for estate tax purposes.[312]

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[305] Sec. 529(c)(3)(A), (B)(ii). A payor of a distribution generally is required to report to the IRS and the recipient of the distribution on Form 1099–Q the amount of the distribution and the portions of the distributions representing contributions and earnings.
[306] Sec. 529(c)(6).
[307] Sec. 529(c)(7), (c)(8), (c)(9), (e)(3).
[308] Sec. 529(e)(3)(A).
[309] Sec. 529(c)(8).
[310] Sec. 529(c)(2)(A).
[311] Sec. 529(c)(2)(B).
[312] Sec. 529(c)(4)(A).

A distribution from a qualified tuition program that otherwise would be included in the income of the recipient of the distribution (for example, the beneficiary of the account) may be excluded under rules allowing, subject to limitations, tax-free rollovers to, among other alternatives, an ABLE account of the beneficiary or of a member of the family of the beneficiary, a Roth IRA of the beneficiary, or the credit of another beneficiary of a qualified tuition program who is a member of the family of the beneficiary with respect to whom the distribution was made.[313]

REASONS FOR CHANGE

The Committee believes taxpayers should be provided with broader choices in elementary and secondary education including, for example, public, private or religious schools, and homeschools. Expansion of qualified expenses for 529 plans to include these types of educational expenses would allow families the freedom and flexibility to pursue the education most tailored to their needs and to save accordingly.

EXPLANATION OF PROVISION

The provision provides that the following expenses in connection with the enrollment or attendance of a designated beneficiary at an elementary or secondary public, private, or religious school, or in connection with a homeschool, are qualified higher education expenses: tuition (as under present law), curriculum and curricular materials, books or other instructional materials, online educational materials, tuition for certain tutoring or educational classes outside of the home, fees for certain tests, fees for dual enrollment in an institution of higher education, and certain educational therapies for students with disabilities.

Under the provision, these elementary and secondary school expenses are considered qualified higher education expenses for all purposes of section 529, including the prohibition on excess contributions. As a consequence, a beneficiary's elementary and secondary school expenses may be taken into account in determining whether a contribution to a qualified tuition program is prohibited because the contribution would be in excess of the amount necessary to provide for the beneficiary's qualified higher education expenses.

EFFECTIVE DATE

The provision is effective for distributions made after the date of enactment.

CERTAIN POSTSECONDARY CREDENTIALING EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS (SEC. 110111 OF THE BILL AND SEC. 529 OF THE CODE)

PRESENT LAW

For a general description of 529 Accounts, see section J of this document.

[313] Sec. 529(c)(3)(C), (E).

REASONS FOR CHANGE

The Committee believes taxpayers should be provided with broader choices in education including, for example, obtaining and maintaining post-secondary credentials like licenses and certifications. Expansion of qualified expenses for 529 plans to include postsecondary credentialing expenses would allow American students and workers to make pursue education and training as they see fit and save accordingly.

EXPLANATION OF PROVISION

The provision treats a broad category of postsecondary credentialing expenses as qualified higher education expenses for all purposes of section 529. These "qualified postsecondary credentialing expenses" are tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in a recognized "postsecondary credential program," or any other expense in connection with enrollment in or attendance at such a program if such expenses would, if incurred in connection with enrollment in or attendance at an eligible educational institution, be considered qualified higher education expenses before application of the provision; fees for testing required to obtain or maintain a recognized credential; and, fees for continuing education if such education is required to maintain a recognized postsecondary credential.

For this purpose, a "recognized postsecondary credential program" means a program to obtain a recognized postsecondary credential if (a) such program is included on a list prepared under section 122(d) of the Workforce Innovation and Opportunity Act; (b) such program is listed in the WEAMS Public directory (or successor) maintained by the Department of Veterans Affairs; (c) an examination (developed or administered by an organization widely recognized as providing reputable credentials in the occupation) is required to obtain or maintain a postsecondary credential and the organization recognizes the program as providing training or education that prepares individuals to take the examination; or, (d) such program is identified by the Treasury Secretary, after consultation with the Labor Secretary, as being a reputable program for obtaining a recognized postsecondary credential.

A "recognized postsecondary credential" means any postsecondary employment credential that is industry recognized, any certificate of completion of an apprenticeship that is registered and certified with the Secretary of Labor under the National Apprenticeship Act, any occupational or professional license issued or recognized by a State or the Federal government, and any recognized postsecondary credential as defined under section 3 of the Workforce Innovation and Opportunity Act.

EFFECTIVE DATE

The provision is effective for distributions made after the date of enactment.

REINSTATEMENT OF PARTIAL DEDUCTION FOR CHARITABLE CONTRIBUTIONS OF INDIVIDUALS WHO DO NOT ELECT TO ITEMIZE (SEC. 110112 OF THE BILL AND SEC. 170(p) OF THE CODE)

PRESENT LAW

Itemized deduction for charitable contributions

An income tax deduction is permitted for charitable contributions, subject to certain limitations that depend on the type of taxpayer, the property contributed, and the recipient organization.[314] For individuals, the deduction for charitable contributions is available only to a taxpayer who elects to itemize deductions.

Charitable contributions of cash are deductible in the amount contributed. In general, contributions of capital gain property to a qualified charity are deductible at fair market value with certain exceptions. Capital gain property means any capital asset or property used in the taxpayer's trade or business the sale of which at its fair market value, at the time of contribution, would have resulted in gain that would have been long-term capital gain. Contributions of other appreciated property generally are deductible at the donor's basis in the property. Contributions of depreciated property generally are deductible at the fair market value of the property.

For individuals, in any taxable year, the amount deductible as a charitable contribution is limited to a percentage of the taxpayer's contribution base. The applicable percentage of the contribution base varies depending on the type of recipient organization and property contributed. The contribution base is defined as the taxpayer's adjusted gross income computed without regard to any net operating loss carryback.[315]

Charitable contributions that exceed the applicable percentage limit generally may be carried forward for up to five years.[316] In general, contributions carried over from a prior year are taken into account after contributions for the current year that are subject to the same percentage limit.

Temporary Charitable Deduction for Nonitemizers

Under section 170(p), an individual who does not itemize deductions may claim a deduction in an amount not to exceed $300 ($600 in the case of a joint return) for certain charitable contributions made during a taxable year that begins in 2021. The deduction is not available for contributions made during a taxable year that begins after 2021.

Contributions taken into account for this purpose include only contributions made in cash during the taxable year to a charitable organization described in section 170(b)(1)(A), other than contributions to (i) a supporting organization described in section 509(a)(3) or (ii) for the establishment of a new, or maintenance of an existing, donor advised fund (as defined in section 4966(d)(2)). Contributions of noncash property, such as securities, are not qualified contributions. Qualified contributions must be to an organization de-

[314] Sec. 170.
[315] Sec. 170(b)(1)(H).
[316] Sec. 170(b)(1)(G)(ii) and (d).

scribed in section 170(b)(1)(A); thus, contributions to, for example, a charitable remainder trust generally are not qualified contributions, unless the charitable remainder interest is paid in cash to an eligible charity during the applicable time period. A qualifying charitable contribution does not include an amount that is treated as a contribution in the taxable year by reason of being carried forward from a prior contribution year under section 170(b)(1)(G) or (d)(1).

There is an increased penalty under section 6662 for an underpayment of tax resulting from an overstatement of the section 170(p) deduction.[317] The penalty is increased from 20 percent of the underpayment to 50 percent of the underpayment. The section 6662 penalty relating to an overstatement of the temporary non-itemizer charitable deduction is exempt from the requirement for supervisory approval under section 6751(b).

REASONS FOR CHANGE

The Committee believes that it is important to provide a tax benefit for charitable giving. The Committee believes that allowing non-itemizers a partial deduction for charitable contributions will improve horizontal equity between itemizers and non-itemizers with respect to charitable giving.

EXPLANATION OF PROVISION

The provision reinstates the section 170(p) deduction for taxable years beginning after December 31, 2024, and before January 1, 2029. The provision sets the maximum deduction amount to $300 for taxpayers who are married filing jointly and to $150 for all other taxpayers.

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2024.

EXCLUSION FOR CERTAIN EMPLOYER PAYMENTS OF STUDENT LOANS UNDER EDUCATIONAL ASSISTANCE PROGRAMS MADE PERMANENT AND ADJUSTED FOR INFLATION (SEC. 110113 OF THE BILL AND SEC. 127 OF THE CODE)

PRESENT LAW

Under section 127, an employee may exclude from gross income for income tax purposes[318] and the employer may exclude from wages for employment tax purposes[319] up to $5,250 annually of educational assistance provided by the employer to the employee.[320] For the exclusion to apply, certain requirements must be satisfied: (1) the educational assistance must be provided pursuant to a separate written plan of the employer; (2) employers must provide reasonable notification of the terms and availability of the program to eligible employees; (3) the employer's educational assist-

[317] Sec. 6662(l).
[318] See also sec. 3401(a)(18).
[319] Secs. 3121(a)(18) and 3306(b)(13).
[320] Sec. 127(a).

ance program must not discriminate in favor of highly compensated employees; and (4) no more than five percent of the amounts paid or incurred by the employer during the year for educational assistance under a qualified educational assistance program may be provided for the class of individuals consisting of (i) more than five-percent owners of the employer and (ii) the spouses or dependents of such owners.[321]

For purposes of the exclusion, "educational assistance" means the payment by an employer of expenses incurred by or on behalf of the employee for education of the employee including, but not limited to, tuition, fees and similar payments, books, supplies, and equipment, and the provision by the employer of courses of instruction for the employee, including books, supplies, and equipment.[322] Educational assistance also includes the payment by an employer to the employee or to a lender of principal or interest on any qualified education loan (as defined in section 221(d)(1)) incurred by the employee for education of the employee. Only student loan payments made before January 1, 2026, qualify as educational assistance.

Educational assistance does not include payment for or the provision of tools or supplies that may be retained by the employee after completion of a course, meals, lodging, or transportation, or any education involving sports, games, or hobbies. The education need not be job-related or part of a degree program.[323] Educational assistance qualifies for the exclusion only if the employer does not give the employee a choice between educational assistance and other remuneration includible in the employee's income.

The exclusion for employer-provided educational assistance applies only with respect to education provided to the employee. The exclusion does not apply, for example, to assistance provided directly or indirectly for the education of the spouse or a child of the employee.

The employer's costs for providing such educational assistance are generally deductible as a trade or business expense.[324]

In the absence of the specific exclusion for employer-provided educational assistance under section 127, employer-provided educational assistance is excludable from gross income for income tax purposes[325] and wages for employment tax purposes[326] only if the education expenses qualify as a working condition fringe benefit under section 132(d) or as a qualified tuition reduction under section 117(d). In general, education qualifies as a working condition fringe benefit if the employee could have deducted the education expenses under section 162 if the employee paid for the education.[327] In general, education expenses are deductible by an individual under section 162 if the education (1) maintains or improves a skill required in a trade or business currently engaged in by the taxpayer, or (2) meets the express requirements of the taxpayer's employer, applicable law, or regulations imposed as a condition of

[321] Sec. 127(b).
[322] Sec. 127(c)(1).
[323] Treas. Reg. sec. 1.127–2(c)(4).
[324] See sec. 162.
[325] See also sec. 3401(a)(19).
[326] Secs. 3121(a)(20) and 3306(b)(16).
[327] Sec. 132(d).

continued employment.[328] However, education expenses are generally not deductible if they relate to certain minimum educational requirements or to education or training that enables a taxpayer to begin working in a new trade or business.[329]

REASONS FOR CHANGE

Because the Committee wants to encourage individuals to pursue job-relevant learning and education, the Committee believes that a certain amount of employer payments of principal or interest on an employee's qualified education loan should not be taxable. Additionally, the Committee recognizes that inflation has eroded the value of the overall exclusion, having not been increased in over four decades. As such, the Committee believes that increasing the overall exclusion amount will further encourage individuals to pursue further job-relevant learning and education.

EXPLANATION OF PROVISION

The provision removes the requirement that a student loan payment must be made before January 1, 2026, to qualify as "educational assistance." As a result, the provision makes the exclusion for employer payments of qualified education loans permanent.

The provision would inflation adjust the maximum exclusion under section 127 for taxable years beginning after 2026.

EFFECTIVE DATE

The provision applies to payments made after December 31, 2025.

EXTENSION OF RULES FOR TREATMENT OF CERTAIN DISASTER-RELATED PERSONAL CASUALTY LOSSES (SEC. 110114 OF THE BILL)

PRESENT LAW

Personal casualty losses

In general

An individual taxpayer may claim an itemized deduction for a personal casualty loss.[330] If the loss is attributable to a disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the "Stafford Act"),[331] then the loss is deductible only to the extent of the sum of the individual's personal casualty gains plus the amount by which aggregate net disaster-related losses exceed 10 percent of the individual taxpayer's adjusted gross income.[332] In any taxable year beginning after December 31, 2017, and before January 1, 2026, all other personal casualty losses are deductible only to the extent that the losses do not exceed the individual's personal casualty gains.

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[328] Treas. Reg. sec. 1.162–5.

[329] For taxable years beginning before January 1, 2026, trade or business expenses relating to the trade or business of the performance of services by the taxpayer as an employee are disallowed miscellaneous itemized deductions. Secs. 62(a)(1), 67(g), and 162(a).

[330] Sec. 165(h).

[331] Sec. 165(h)(5).

[332] Sec. 165(h)(2). Personal casualty gains are reduced for this purpose by any gain used to offset any personal casualty loss which is not attributable to a disaster.

For individual taxpayers, personal casualty losses are losses of property not connected with a trade or business or a transaction entered into for profit, if such losses arise from fire, storm, shipwreck, or other casualty, or from theft.[333] Personal casualty gains are recognized gains from any involuntary conversion of property not connected with a trade or business or a transaction entered into for profit, if such gains arise from fire, storm, shipwreck, or other casualty, or from theft.[334] Personal casualty losses are deductible to the extent they exceed $100 per casualty.[335]

Additional relief for certain disasters

Congress has at times enacted more generous casualty loss provisions in response to specific natural disasters.[336]

Division EE of Public Law 116–260, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 ("TCDTRA"),[337] as modified by the Federal Disaster Tax Relief Act of 2023 ("FDTRA"),[338] provides special rules for "qualified disaster-related personal casualty losses." These losses include personal casualty losses arising in a qualified disaster area on or after the first day of the incident period of the applicable qualified disaster which are attributable to that qualified disaster.[339] These losses are deductible without regard to whether aggregate net losses exceed 10 percent of a taxpayer's adjusted gross income and to the extent they exceed $500 per casualty.[340] These losses are allowed as a deduction in addition to the standard deduction and are allowed against alternative minimum taxable income.

As modified by FDTRA, a "qualified disaster area" refers to an area with respect to which a major disaster has been declared by the President during the period beginning on January 1, 2020, and ending on the date which is 60 days after the date of enactment of FDTRA,[341] under section 401 of the Stafford Act, if the incident period of the disaster with respect to which the declaration is made begins on or after December 28, 2019, and on or before the date of enactment of FDTRA.[342] A qualified disaster area does not include any area with respect to which a major disaster had been declared only by reason of COVID–19.

A "qualified disaster" is, with respect to the applicable qualified disaster area, the disaster by reason of which a major disaster was declared with respect to that area.[343]

The "incident period" is, with respect to the applicable qualified disaster, the period specified by the Federal Emergency Management Agency as the period during which the disaster occurred, ex-

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[333] Sec. 165(c)(3)(B).
[334] Sec. 165(c)(3)(A).
[335] Sec. 165(h)(1).
[336] See, *e.g.*, sec. 204(b) of Pub. L. No. 116–94 (Hurricanes Florence and Michael); sec. 20104(b) of Pub. L. No.115–123 (certain California wildfires); sec. 504(b) of Pub. L. No. 115–63 (Hurricanes Harvey, Irma, and Maria); and former sec. 1400S(b) (Hurricanes Katrina, Rita, and Wilma).
[337] Sec. 304(b) of Div. EE. of Pub. L. No. 116–260, December 27, 2020.
[338] Sec. 2 of Pub. L. No. 118–148, December 12, 2024.
[339] Sec. 304(b)(3) of Div. EE. of Pub. L. No. 116–260, December 27, 2020.
[340] Sec. 304(b)(1) of Div. EE. of Pub. L. No. 116–260, December 27, 2020.
[341] FDTRA became law on December 12, 2024.
[342] Sec. 301(1) of Div. EE. of Pub. L. No. 116–260; sec. 2 of Pub. L. No. 118–148.
[343] Sec. 301(3) of Div. EE. of Pub. L. No. 116–260, December 27, 2020, December 12, 2024.

cept that the period is not treated as ending after the date which is 30 days after the date of enactment of FDTRA.[344]

REASONS FOR CHANGE

The Committee wishes to provide tax relief for taxpayers affected by certain disasters and events. The Committee believes that the expansion of the personal casualty loss deduction under section 165 under TCDTRA and FDTRA provided necessary tax relief to taxpayers who suffered losses in major disasters, and that such relief should be extended to provide similar relief for major disasters through 2024 and part of 2025.

EXPLANATION OF PROVISION

For purposes of personal casualty losses arising in a qualified disaster area, the provision broadens TCDTRA's definition of qualified disaster area (as modified by FDTRA) to include any area with respect to which a major disaster was declared by the President during the period beginning on January 1, 2020, and ending on the date which is 60 days after the date of enactment of the provision, under section 401 of Stafford Act if the incident period of the disaster begins on or after December 28, 2019, and on or before the date of enactment of the provision. The incident period will be treated as ending no later than the date which is 30 days after the date of enactment of the provision.

Thus, under the provision, certain disaster-related personal casualty losses attributable to major disasters beginning any time after the date of enactment of TCDTRA and through the date of enactment of the provision are provided the same treatment as qualified disaster-related personal casualty losses under TCDTRA.

EFFECTIVE DATE

The provision is effective on the date of enactment.

MAGA ACCOUNTS (SECS. 110115 AND 110116 OF THE BILL AND NEW SEC. 530A OF THE CODE)

PRESENT LAW

The Code permits various types of tax-advantaged accounts for individuals. For example, qualified tuition programs under section 529 and Coverdell education savings accounts[345] allow individuals to save for the education expenses of a beneficiary on a tax-preferred basis. Similarly, qualified ABLE accounts allow individuals to pay the disability expenses of a beneficiary with similar tax benefits.[346] Retirement accounts such as those in qualified retirement plans (such as 401(k) plans)[347] and individual retirement plans[348] allow individuals to save for retirement in tax-advantaged accounts.

[344] Sec. 301(4) of Div. EE. of Pub. L. No. 116–260, December 27, 2020; sec. 2 of Pub. L. No. 118–148, December 12, 2024.
[345] Sec. 530.
[346] Sec. 529A.
[347] Sec. 401(a).
[348] Sec. 408.

As a general rule, section 6103 provides that returns and return information are confidential. The definition of return information is very broad and includes any information received or collected by the Internal Revenue Service ("IRS") with respect to the liability under the Code of any person for any tax, penalty, interest, or offense. Returns and return information cannot be disclosed unless there is an applicable exception in the Code. Section 6103 contains numerous narrowly tailored exceptions to the general rule of confidentiality, grouped into 13 general categories.[349] Criminal penalties apply to the willful unauthorized disclosure or inspection of a return or return information.[350] The Code also provides a civil damage remedy for a taxpayer whose return or return information was disclosed or inspected in a manner not authorized by section 6103.[351]

REASONS FOR CHANGE

The Committee recognizes that for many Americans it is difficult to accumulate meaningful savings, particularly when facing high costs events early in life such as paying for higher education, post-secondary credentials, or purchasing a first home. Raising capital can also be a hurdle to starting a small business. Congress wishes to help alleviate these challenges by helping Americans begin saving at birth, and by providing tax-preferred treatment when savings are used for the costs described above. The Committee also believes that helping children to begin saving and investing earlier in life will help promote financial literacy.

EXPLANATION OF PROVISION

In general

The provision establishes a new type of tax-preferred account, a money account for growth and advancement ("MAGA account"). A MAGA account is a trust created or organized in the United States for the exclusive benefit of an individual and designated at the time of establishment as such (in such manner as the Secretary shall prescribe), provided that the written governing instrument creating the trust meets certain requirements, as described below. A MAGA account is subject to the unrelated business income tax but is otherwise exempt from tax.

In order to be eligible for an account, the account beneficiary must not have attained age eight on the date the account is established. The individual establishing the account must provide the trustee his or her Social Security number (SSN) as well as the account beneficiary's SSN. In addition, except in the case of a qualified rollover contribution, the MAGA account may not accept a contribution unless (1) it is in cash, (2) the account beneficiary is under age 18, (3) the contribution does not cause the aggregate contributions for the taxable year to exceed the applicable contribution limit, and (4) the contribution is made on or after January 1, 2026. For this purpose, a qualified rollover contribution is an

[349] Sec. 6103(c)–(o).
[350] Secs. 7213 (relating to felony unauthorized disclosure) and 7213A (relating to misdemeanor unauthorized inspection).
[351] Sec. 7431.

amount paid in a direct trustee-to-trustee transfer to a MAGA account from another MAGA account created for the benefit of the same account beneficiary.

The trustee of the MAGA account must be a bank [352] or another person who demonstrates to the satisfaction of the Secretary that the manner in which the person will administer the trust will be consistent with the provision's requirements or who has so demonstrated with respect to an individual retirement plan. The account beneficiary's interest in the account must be nonforfeitable. The assets of the trust must not be commingled with other property except in a common trust fund or common investment fund, and no trust funds may be invested in any asset other than eligible investments. For this purpose, eligible investment means an investment managed by a regulated investment company [353] that (1) tracks a well-established index of United States equities (or that invests in an equivalent diversified portfolio of United States equities),[354] (2) does not use leverage, (3) minimizes costs, and (4) meets such other criteria as the Secretary determines appropriate.

Under the provision, the contribution limit for a MAGA account for a taxable year is $5,000 (adjusted for inflation), except that qualified rollover contributions and contributions from the Federal Government or any State, local, or tribal government are not subject to this limit. The exception from the $5,000 limit also applies to contributions made by certain tax-exempt organizations through a special program that the provision directs the Secretary to establish. The Secretary is directed to establish a program through which contributions may be made by an exempt organization described under section 501(c) to a large group of account beneficiaries provided that the MAGA accounts that will receive the contributions are selected on the basis of the location of the residence of the account beneficiaries, the school district in which such beneficiaries attend school, or another basis the Secretary deems appropriate. In addition, all account beneficiaries must receive an equal portion of the contribution. The contributions described in this paragraph that are exempt from the $5,000 limit are not included in the account beneficiary's investment in the contract.

Distributions are not permitted from the MAGA account until the account beneficiary attains age 18. At age 18, and before the account beneficiary attains age 25, the aggregate distributions must not exceed half of the cash equivalent value of the account as of the date the beneficiary turned 18. Distributions from the account that are used for qualified expenses are taxable as capital gains.[355] Other distributions are includible in income and subject to an additional tax of 10 percent if the beneficiary is under age 30. (The portion of any distribution that is allocable to the investment in the contract is not includible in income). These distribution rules do not apply to the distribution of a qualified rollover contribution. Qualified expenses are (1) qualified higher education ex-

[352] As defined in sec. 408(n).
[353] Within the meaning of sec. 851.
[354] A fund is generally eligible if it tracks an established index of U.S. equities or otherwise invests in a diversified portfolio of U.S. equities. This is meant to include traditional indices like the S&P 500, the Dow Jones Industrial Index, or the Nasdaq 100, as well as funds that invest in a more generic portfolio of U.S. equities such as a large-cap or total market fund.
[355] Under sec. 1(h)(12).

penses,[356] (2) qualified post-secondary credentialing expenses,[357] (3) under regulations provided by the Secretary, amounts paid or incurred with respect to any small business which the beneficiary has obtained through a small business loan, small farm loan, or similar loan, and (4) an amount used for the purchase of a principal residence of an account beneficiary who is a first-time homebuyer.[358] Upon attaining age 31, the account ceases to be a MAGA account and is treated as distributed to the account beneficiary.

An individual is only permitted to be an account beneficiary of one MAGA account. However, an exception applies if the entire amount of a MAGA account is rolled over as a qualified rollover contribution to another MAGA account. In the case of a duplicate MAGA account that does not meet the above exception, such account ceases to be treated as a MAGA account and the entire balance is treated as distributed. In addition, an excise tax is imposed equal to the amount in the account that is allocable to income. If notified by the Secretary that an account is a duplicate account, the trustee must deduct and withhold the excise tax from the distribution of the account. For this purpose, a duplicate MAGA account means (1) in the case of an account beneficiary for whom an account was established by the Secretary, any other MAGA account of such beneficiary, and (2) in the case of any other account beneficiary, any MAGA account established after the first MAGA account was established for the benefit of such account beneficiary.

If excess contributions are made to a MAGA account, an excise tax is imposed on the account beneficiary equal to six percent of such excess for each taxable year during which excess contributions are in the account.[359] Rules after the death of an account beneficiary are similar to the rules that apply with respect to health savings accounts.[360]

The trustee of a MAGA account must make reports regarding the account to the Secretary and to the account beneficiary with respect to contributions, distributions, the amount of the investment of the contract, and such other matters as the Secretary may require. The reports must be filed and furnished at such time and in such manner as required by the Secretary. The provision imposes a penalty of $50 for each failure to file the report unless such failure is due to reasonable cause.[361]

The provision includes a new exception to the general rule of confidentiality in section 6103, authorizing the release of limited taxpayer information for the sole purpose of enabling the Secretary to effect deposits from various governmental or private exempt organizations to the individual accounts of unrelated account beneficiaries. Upon written request signed by the head of the bureau or office of Treasury requesting the inspection or disclosure, and only to the extent necessary to carry out the purpose described in the preceding sentence, the following information for each intended beneficiary may be provided to officers and employees of such bu-

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[356] As defined in section 529(e)(3), determined without regard to section 529(c)(7).
[357] Sec. 529(f).
[358] "Purchase" is defined in section 36(c)(3), "principal residence" in section 121, and "first-time homebuyer" in section 36(c)(1).
[359] Sec. 4973, as amended by this provision to include MAGA accounts.
[360] Sec. 223(f)(8).
[361] Sec. 6693, as modified by this provision to include MAGA accounts.

reau or office: information necessary to identify the account holders in a particular class of beneficiaries identified by a donor as the intended recipients; the name, address, and SSN of a beneficiary; the account custodian and address; the account number; and the routing number. To the extent determined by the Secretary in regulations, other information necessary to ensure proper routing of funds may also be provided. The information may only be used for the proper routing of funds and may not be redisclosed by the Secretary.

Program for Federal Government contributions

The provision provides that the Secretary will make a one-time payment of $1,000 to the MAGA account of each qualifying child [362] of a taxpayer, if such qualifying child is an eligible individual. An eligible individual is a child born after December 31, 2024 and before January 1, 2029 who is a United States citizen at birth. If the Secretary determines that a MAGA account has not been established for an eligible individual by the qualifying date, the Secretary must establish the MAGA account for such eligible individual and must notify the individual with respect to whom the eligible individual is a qualifying child. The Secretary must provide such individual with the opportunity to elect to decline the Secretary's establishment of the account. The qualifying date is the first date on which a return is filed by an individual with respect to whom such eligible individual is a qualifying child with respect to the taxable year to which the return relates.

For purposes of selecting a trustee for a MAGA account established by the Secretary, the Secretary must take into account (1) the history of reliability and regulatory compliance of such trustee, (2) the customer service experience of such trustee, (3) the costs imposed by such trustee on the account or account beneficiary, and (4) to the extent practicable, the preferences of the individual with respect to whom the eligible individual is a qualifying child.

In order to receive the $1,000 credit, the taxpayer whose qualifying child is an eligible individual must include on the return the SSN of such individual, such individual's spouse, and the eligible individual.[363]

If any taxpayer makes an excessive claim for the $1,000 credit, a penalty of $500 is imposed in the case of negligence or disregard of rules or regulations,[364] and a penalty of $1,000 is imposed in the case of fraud.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2024.

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[362] As defined in sec. 152(c).

[363] Omission of a correct Social Security number is treated as a math error. Sec. 6213(g)(2) (as amended by Part 3.E of Subtitle C, "Earned Income Tax Credit Reforms").

[364] Negligence and disregard are defined under section 6662.

PART III—INVESTING IN HEALTH OF AMERICAN FAMILIES AND WORKERS

A. TREATMENT OF HEALTH REIMBURSEMENT ARRANGEMENTS INTEGRATED WITH INDIVIDUAL MARKET COVERAGE (SEC. 110201 OF THE BILL AND SEC. 9815 OF THE CODE)

PRESENT LAW

Group health plan requirements

The Internal Revenue Code (the "Code") imposes various requirements with respect to employment-related health plans, referred to for this purpose as group health plans.[365] The Patient Protection and Affordable Care Act ("PPACA")[366] expanded the market reform requirements applicable to group health plans.[367] These requirements include a prohibition on lifetime or annual limits,[368] a coverage mandate regarding preventive services,[369] and a requirement to provide summaries of benefits and coverage.[370] In addition, insurance issued to a fully-insured group health plan in the small group market is subject to additional requirements, including a prohibition on group-by-group rating.[371]

Under the Code, an employer is generally subject to an excise tax of $100 a day per employee if it sponsors a group health plan that fails to meet any of these requirements.[372] Generally, if the failure is due to reasonable cause and not to willful neglect, the maximum tax that can be imposed for failures during a taxable year is the lesser of 10 percent of the employer's group health plan expenses for the prior year or $500,000. In some cases, the excise tax does not apply if the failure is due to reasonable cause and not to willful neglect and the failure is corrected within a certain period. In addition, in some cases in which failure is due to reasonable cause and not to willful neglect, some or all of the excise tax may be waived to the extent payment of the tax would be excessive relative to the failure involved.

Other health rules under the Code

Under the PPACA, "minimum essential coverage" includes employer-sponsored coverage under a group health plan, other than certain types of limited coverage, such as coverage only for vision

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[365] See, *e.g.*, sec. 4980B (relating to continuation coverage or "COBRA" requirements) and Chapter 100 (secs. 9801–9834, relating to various additional requirements, such as prohibitions on preexisting condition exclusions and discrimination based on health status). Code section 5000 also imposes Medicare secondary payor requirements on group health plans.

[366] Pub. L. No. 111–148, March 23, 2010, as amended by the Health Care and Education Reconciliation Act of 2010 ("HCERA"), Pub. L. No. 111–152, March 30, 2010. PPACA and HCERA are referred to collectively as the PPACA.

[367] *See, e.g.*, secs. 2711 and 2713 of the Public Health Service ("PHS") Act, 42 U.S.C. secs. 300gg–11 and 300gg–13. These provisions of the PPACA are incorporated into the Code through section 9815.

[368] Sec. 2711 of the PHS Act, 42 U.S.C. sec. 300gg–11.

[369] Sec. 2713 of the PHS Act, 42 U.S.C. sec. 300gg–13.

[370] Sec. 2715 of the PHS Act, 42 U.S.C. sec. 300gg–15.

[371] Sec. 2701 of the PHS Act, 42 U.S.C. sec. 300gg.

[372] Section 4980B(a) and (b) apply to a violation of the COBRA requirements, subject to an exception for plans of employers with fewer than 20 employees. Section 4980D(a) and (b) apply to a violation of the requirements under Chapter 100, subject to an exception for a plan of an employer with no more than 50 employees if coverage is provided solely through insurance. In some cases, a party other than the employer, such as a multiemployer plan, may be liable for the tax. For simplicity, this document refers to "employers" to indicate all such entities that may sponsor group health plans.

or dental medical services.[373] Minimum essential coverage also includes coverage purchased in the individual insurance market, other than certain types of limited coverage, such as coverage only for vision or dental medical services.

An advanceable, refundable income tax credit, the premium tax credit ("premium assistance credit" or "premium tax credit"), is available to certain individuals who purchase health insurance coverage in the individual market through an American Health Benefit Exchange (an "Exchange").[374] However, an employee is generally not eligible for the premium tax credit if his or her employer offers affordable minimum essential coverage under a group health plan and the coverage provides minimum value. For this purpose, coverage is affordable if the employee's share of the premium for self-only coverage under the group health plan is not more than 9.02 percent (for 2025)[375] of the employee's household income. To provide minimum value, the coverage offered under the group health plan must cover at least 60 percent of the total costs of benefits covered under the plan. An individual who applies for advance payment of the premium tax credit with respect to Exchange coverage for a year must provide the Exchange with certain information, including information relating to employer-provided minimum essential coverage.[376]

If an applicable large employer fails to offer employees minimum essential coverage, or offers minimum essential coverage that either is not affordable (under the standard described above) or fails to provide minimum value, and any employee is allowed the premium tax credit, the employer may be subject to a tax penalty.[377] For this purpose, applicable large employer generally means, with respect to a calendar year, an employer that employed an average of at least 50 full-time employees (including full-time equivalents) on business days during the preceding calendar year.[378]

Health reimbursement arrangements

In addition to offering health coverage, employers sometimes reimburse medical expenses of their employees (and their spouses and dependents). These arrangements are sometimes used by employers to pay or reimburse employees for medical expenses that are not covered by health insurance and are commonly referred to as health reimbursement arrangements ("HRAs").[379]

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[373] Sec. 5000A.

[374] Sec. 36B. An Exchange is established under section 1311 of the PPACA, 42 U.S.C. sec. 13031. Lower-income individuals who are eligible for the premium tax credit and enrolled in health insurance coverage purchased on an Exchange may also be eligible for cost-sharing reductions under section 1402 of the PPACA, 42 U.S.C. sec. 18071.

[375] Rev. Proc. 2024–35, 2024–39 I.R.B. 638. This percentage is updated as needed to reflect cost-of-living changes.

[376] Sec. 1411(b) of the PPACA, 42 U.S.C. sec. 18081(b). This information is subject to verification during the Exchange process under section 1411(c) and (d).

[377] Sec. 4980H.

[378] In determining whether an employer is an applicable large employer (that is, whether the employer has at least 50 full-time employees), besides the number of full-time employees, the employer must include the number of its full time equivalent employees for a month, determined by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 120. In addition, in determining applicable large employer status, members of the same controlled group, group under common control, and affiliated service group under section 414(b), (c), (m) and (o) are treated as a single employer.

[379] See secs. 105(b) and 106; Rev. Rul. 61–146, 1961–2 C.B. 25; Notice 2002–45, 2002–2 C.B. 93, July 15, 2002, and Rev. Rul. 2002–41, 2002–2 C.B. 75. Under section 105(h), a self-insured HRA must meet certain nondiscrimination requirements in order for the benefits provided to

The amounts in an HRA can be used only to reimburse medical expenses (which may include health insurance premiums), and HRAs cannot be funded on a salary reduction basis. HRAs have a maximum dollar amount for each coverage period, and amounts remaining in an HRA at the end of the year may be carried forward to be used to reimburse medical expenses in following years.[380]

An employee may exclude amounts provided through an HRA from gross income. For employer payments or reimbursements under an HRA to be excluded from gross income, expenses must be substantiated and an employee must be entitled to receive payments from the employer only if he or she incurs qualifying expenses.[381]

After the enactment of the PPACA and before the establishment of individual coverage HRAs (as described below), an HRA generally failed to meet the group health plan requirements imposed by the PPACA unless the HRA complied with IRS rules relating to HRAs provided in conjunction with (or "integrated" with) certain other employer-sponsored coverage that met the group health plan requirements.[382] An HRA that is integrated with such employer-sponsored coverage is often referred to as an "integrated" HRA, and an HRA that is not integrated with such employer-sponsored coverage is often referred to as a "stand-alone" HRA. Thus, an employer could be subject to an excise tax if it provided employees a stand-alone HRA covering medical expenses, with the exception of certain limited benefits, for example, coverage only for vision or dental medical services.[383]

Individual coverage HRAs

In 2019, final rules were issued permitting employers to contribute to HRAs used in conjunction with the purchase of individual health insurance coverage, without violating the group health plan requirements (the "final rules").[384] The final rules provide that employers may offer employees an "individual coverage HRA," and that, if those individuals use the amounts contributed to that HRA in conjunction with the purchase of health insurance coverage on the individual market, the group health plan meets the relevant group health plan requirements. An individual coverage

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a highly compensated individual to be excluded from income. For this purpose, the following groups of employees may be excluded: employees who have not completed three years of service with the employer, employees under age 25, part-time or seasonal employees, employees covered by a collective bargaining agreement if health benefits were the subject of good faith bargaining, and nonresident aliens with no earned income from sources within the United States. Employer payments and reimbursements for health insurance and medical expenses are also excluded from wages for employment tax purposes. Secs. 3121(a)(2), 3231(e)(1), 3306(b)(2), 3401(a)(20); Rev. Rul. 56–632, 1956–2 C.B. 101. For simplicity, this document refers to "HRAs" to indicate all arrangements to which the individual coverage HRA final rules (described later in this document) apply.

[380] General guidance with respect to HRAs is provided in Notice 2002–45.

[381] Treas. Reg. sec. 1.105–2.

[382] See, *e.g.*, Notice 2013–54, 2013–40 I.R.B. 287, September 30, 2013. The 21st Century Cures Act created a limited exception to this rule in the form qualified small employer health reimbursement arrangements ("QSEHRAs"). Unlike traditional HRAs, QSEHRAs are designed so that small employers may subsidize employees' purchase of individual coverage on an Exchange. Pub. L. No. 114–255, sec. 18001, December 13, 2016.

[383] See Notice 2015–87, 2015–52 I.R.B. 889, December 28, 2015.

[384] T.D. 9867, 84 Fed. Reg. 28888, June 20, 2019. The final rules were issued in conjunction with the Departments of Labor and Health and Human Services.

HRA may also be used in conjunction with coverage under Medicare Part A and B or C.[385]

Individual coverage HRAs are subject to detailed regulations, including the following requirements: the terms of the individual coverage HRA must require that employees, spouses, and dependents enrolled in the HRA also be enrolled in individual health insurance coverage;[386] employers are not permitted to allow employees to choose between an individual coverage HRA and traditional employment-related health coverage;[387] employers are required to offer individual coverage HRAs on the same terms to all employees within enumerated classes of employees;[388] generally, employers are required to provide employees notice regarding the individual coverage HRA at least 90 calendar days before the beginning of the plan year;[389] and employers are required to adopt reasonable procedures for substantiation regarding individuals' enrollment in qualifying individual coverage.[390]

Because individual coverage HRAs are employer-sponsored group plans, individuals enrolled in individual coverage HRAs are not eligible for the premium tax credit. Furthermore, the final rules include an affordability test, under which the value of the employer contribution to the individual coverage HRA is compared to the price of the lowest cost silver plan available to the employee. Similar to the rule for traditional group health plans, if the employee's share of the premium for self-only coverage under that plan is more than 9.02 percent (for 2025) of the employee's household income, the individual coverage HRA is not considered affordable and the employee may be entitled to the premium tax credit for individual health coverage purchased on an Exchange.[391]

In addition to amounts contributed to an individual coverage HRA by the employer, employees may make contributions through a cafeteria plan to purchase individual coverage if, for example, the employer's contribution to the individual coverage HRA is less than the premium for the individual coverage selected by the employee. However, amounts available through a cafeteria plan may not be used to purchase individual health coverage on an Exchange, so, in these circumstances, employees must purchase off-Exchange coverage.[392]

REASONS FOR CHANGE

The Committee believes that individual coverage HRAs have greatly enhanced the health coverage options available to individuals, families, and employers. Individual coverage HRAs have provided more choice and flexibility for working people, and have saved employers, particularly small businesses, on the administrative expenses and burdens associated with traditional employer-sponsored health insurance. The Committee therefore believes it is

[385] Treas. Reg. sec. 54.9802–4(e).
[386] Treas. Reg. sec. 54.9802–4(c)(1).
[387] Treas. Reg. sec. 54.9802–4(c)(2).
[388] Treas. Reg. sec. 54.9802–4(c)(3).
[389] Treas. Reg. sec. 54.9802–4(c)(6).
[390] Treas. Reg. sec. 54.9802–4(c)(5).
[391] Treas. Reg. sec. 1.36B–2(c)(3). An individual coverage HRA that is affordable is also treated as providing minimum value.
[392] Sec. 125(f)(3), providing that an employer generally may not provide for a qualified health plan offered through an Exchange as a cafeteria plan benefit.

appropriate to codify the regulations permitting the adoption of these arrangements, to ensure that families and businesses may continue to benefit from them, and to make certain changes to make these arrangements more administrable and attractive.

EXPLANATION OF PROVISION

The provision generally codifies the final rules permitting employers to offer individual coverage HRAs—renamed as Custom Health Option and Individual Care Expense, or "CHOICE," arrangements—without violating the group health plan requirements. Thus, the provision specifies that a CHOICE arrangement that otherwise satisfies the requirements prescribed in the provision complies with sections 2711 and 2713 of the PHS Act. In addition, the provision specifies that a CHOICE arrangement complies with section 9802 of the Code and section 2705 of the PHS Act relating to non-discrimination.

The provision makes three changes from the final rules. First, it specifies that CHOICE arrangements that otherwise satisfy the requirements prescribed in the provision also satisfy the requirement of section 2715 of the PHS Act to provide a summary of benefits and coverage. Second, the provision allows an employer that offers its employees a fully-insured group health plan subject to the requirements of the small group market to offer the employees offered that plan a choice between that plan and a CHOICE arrangement. Third, the provision amends the notice requirement to provide that employers generally must provide the required notice no later than 60 days before the beginning of the plan year.

In detail, the provision defines a CHOICE arrangement as an HRA under which payments or reimbursements may be made only for medical care during periods during which a covered individual is also covered under individual health insurance coverage offered in the individual market (other than coverage that consists solely of excepted benefits) or under Medicare parts A and B or C. In addition, a CHOICE arrangement must meet the following requirements:

- The CHOICE arrangement must be offered to all employees in the same class of employees on the same terms.
- The employer may not offer any other group health plan (other than an account-based plan or a plan consisting solely of excepted benefits) to any employees in such a class, with an exception for the offer of a fully-insured plan subject to the small group market requirements.
- The CHOICE arrangement must have reasonable procedures to substantiate that the covered individuals are, or will be, enrolled in qualifying individual market coverage as of the beginning date of coverage under the arrangement; and that the covered individuals remain so enrolled when requests are made for payment or reimbursement of medical care.
- A CHOICE arrangement generally must provide each employee eligible to participate in the in the CHOICE arrangement with written notice of the employee's rights and obligations under the arrangement not later than 60 days before the beginning of the plan year. The notice must be sufficiently accurate and comprehensive to apprise the employee of such

rights and obligations and be written in a manner calculated to be understood by the average employee eligible to participate.

The provision includes the following classes of employees:

- Full-time employees;
- Part-time employees;
- Salaried employees;
- Non-salaried employees;
- Employees whose primary site of employment is in the same rating area;
- Employees who are included in a collective bargaining unit;
- Employees who have not met a waiting period requirement;
- Seasonal employees;
- Employees who are non-resident aliens and who receive no earned income (within the meaning of section 911(d)(2)) from the employer which constitutes income from sources within the United States;[393] and
- Such other classes as designated by the Treasury.

Under the provision, an employer may designate two or more of the classes as specified classes to which the arrangement is offered, and distinctions regarding full-time, part-time, and seasonal employees must be made under rules similar to those that apply under sections 105(h) or 4980H, at the election of the employer for the upcoming plan year. An arrangement does not fail to qualify as a CHOICE arrangement merely because the maximum dollar amount varies within a class provided that the variation is due to an increase in the number of additional individuals covered under an employee's arrangement, or increases as the age of the employee increases (as long as the increase is not in excess of 300 percent of the lowest maximum dollar amount available). Finally, an employer that currently offers a traditional group health plan to a class of employees is permitted to prospectively offer newly-hired employees in that class a CHOICE arrangement while continuing to offer previously-hired employees a traditional health plan without violating the rule prohibiting differing offers within a class of employees.

The provision provides that, to the extent not inconsistent with the provision, no inference is intended with respect to the individual coverage HRA final rules. The provision also specifies that all references in the provision to CHOICE arrangements must be treated as including references to individual coverage HRAs, so that references in statute and regulations referring to CHOICE arrangements refer equally to CHOICE arrangements and individual coverage HRAs offered under the final rules.

The provision directs the Secretaries of the Treasury, Labor, and Health and Human Services ("HHS") to modify the final rules as may be necessary to conform them with the three amendments made by this provision.

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[393] Under the section 861(a)(3) rules for the source of income from personal services.

Finally, the provision provides that employers are required to report the total permitted benefits for enrolled individuals in the CHOICE arrangement on Form W–2.[394]

EFFECTIVE DATE

The provision is effective for plans years beginning after December 31, 2025.

PARTICIPANTS IN CHOICE ARRANGEMENT ELIGIBLE FOR PURCHASE OF EXCHANGE INSURANCE UNDER CAFETERIA PLAN (SEC. 110202 OF THE BILL AND SEC. 125 OF THE CODE)

PRESENT LAW

For a general description of individual coverage HRAs and CHOICE arrangements, see Section A of this Part.

There is no Federal requirement that employers offer health insurance coverage to employees or their families. However, as with other compensation, the cost of employer-provided health coverage is a deductible business expense under section 162.[395] In addition, employer-provided health insurance coverage is generally not included in an employee's gross income.[396]

Definition of a cafeteria plan

If an employee receives a qualified benefit (as defined below) based on the employee's election between the qualified benefit and a taxable benefit under a cafeteria plan, the qualified benefit generally is not includable in gross income.[397] However, if a plan offering an employee an election between taxable benefits (including cash) and nontaxable qualified benefits does not meet the requirements for being a cafeteria plan, the election between taxable and nontaxable benefits results in gross income to the employee, regardless of what benefit is elected and when the election is made.[398] A cafeteria plan is a separate written plan under which all participants are employees, and participants are permitted to choose among at least one permitted taxable benefit (for example, current cash compensation) and at least one qualified benefit. Finally, a cafeteria plan generally must not provide for deferral of compensation.[399]

Qualified benefits

Qualified benefits under a cafeteria plan are generally employer-provided benefits that are not includable in gross income under an express provision of the Code. Examples of qualified benefits include employer-provided health insurance coverage, group term life insurance coverage not in excess of $50,000, and benefits under a dependent care assistance program. In order to be excludable, any qualified benefit elected under a cafeteria plan must independently

[394] Sec. 6051(a).
[395] Sec. 162. However, see special rules in sections 419 and 419A for the deductibility of contributions to welfare benefit plans with respect to medical benefits for employees and their dependents.
[396] Sec. 106.
[397] Sec. 125(a).
[398] Prop. Treas. Reg. sec. 1.125–1(b).
[399] There are exceptions enumerated in section 125(d)(2)(B), (C), and (D).

satisfy any requirements under the Code section that provides the exclusion. However, some employer-provided benefits that are not includable in gross income under an express provision of the Code are explicitly not allowed in a cafeteria plan. These benefits are generally referred to as nonqualified benefits. Examples of nonqualified benefits include scholarships;[400] educational assistance;[401] and fringe benefits.[402] A plan offering any nonqualified benefit is not a cafeteria plan.[403]

Payment of health insurance premiums through a cafeteria plan

Employees participating in a cafeteria plan may be able to pay the portion of premiums for health insurance coverage not otherwise paid for by their employers on a pre-tax basis through salary reduction.[404] Such salary reduction contributions are treated as employer contributions for purposes of the Code, and are thus excluded from gross income.

Prior to the enactment of the PPACA, one way that employers could offer employer-provided health insurance coverage for purposes of the tax exclusion was to offer to reimburse employees for the premiums for health insurance purchased by employees in the individual health insurance market. The payment or reimbursement of employees' substantiated individual health insurance premiums was excludible from employees' gross income.[405] This reimbursement for individual health insurance premiums could also be paid for through salary reduction under a cafeteria plan.[406]

Such an offer to reimburse individual health insurance premiums constituted a group health plan. Before the publication of the individual coverage HRA final rules, however, the PPACA market reforms generally made it impossible for a group health plan offered in this manner to satisfy the group health plan requirements.[407]

In addition, the PPACA generally forbids employees from purchasing Exchange coverage using funds provided by an employer under a cafeteria plan. Specifically, the PPACA provides that reimbursement (or direct payment) for the premiums for coverage under any qualified health plan offered through an Exchange is a qualified benefit under a cafeteria plan only if the employer is a qualified employer.[408] Under section 1312(f)(2) of the PPACA, a qualified employer is generally a small employer that elects to make all its full-time employees eligible for one or more qualified plans offered in the small group market through an Exchange.[409] Otherwise, reimbursement (or direct payment) for the premiums for coverage under any qualified health plan offered through an Exchange is not a qualified benefit under a cafeteria plan. Thus, an employer

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[400] Sec. 117.
[401] Sec. 127.
[402] Sec. 132.
[403] Prop. Treas. Reg. sec. 1.125–1(q).
[404] Sec. 125.
[405] Rev. Rul. 61–146, 1961–2 C.B. 25.
[406] Prop. Treas. Reg. sec. 1.125–1(m).
[407] See Notice 2013–54, 2013–40 I.R.B. 287, September 30, 2013; FAQs about Affordable Care Act Implementation (PART XXII), November 6, 2014.
[408] Sec. 125(f)(3).
[409] State may allow issuers of health insurance coverage in the large group market to offer qualified plans on an Exchange. In that event, a qualified employer includes a large employer that elects to make all its full-time employees eligible for one or more qualified plans offered in the large group market through an Exchange. See sec. 1312(f)(2) of the PPACA.

cannot offer to reimburse an employee for the premium for a qualified plan that the employee purchases through the individual market in an Exchange as a health insurance coverage option under its cafeteria plan, including in conjunction with an individual coverage HRA.

REASONS FOR CHANGE

Currently, an employee enrolled in an individual coverage HRA is not allowed to reduce his or her salary to pay for health insurance purchased on an Exchange. This rule makes it more difficult for employers and employees to use individual coverage HRAs, and disadvantages participants in individual coverage HRAs that are offered in conjunction with salary reduction. The Committee believe that all employees should have the right to purchase individual health insurance on the same terms when covered by a CHOICE arrangement.

EXPLANATION OF PROVISION

The provision permits employees enrolled in a CHOICE arrangement in conjunction with a cafeteria plan to use salary reduction to purchase health insurance coverage on an Exchange. Therefore, employees participating in a CHOICE arrangement that is available in conjunction with a cafeteria plan may now purchase individual Exchange coverage using a cafeteria plan election, similar to CHOICE arrangement participants not using salary reduction.[410]

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EMPLOYER CREDIT FOR CHOICE ARRANGEMENT (SEC. 110203 OF THE BILL AND NEW SEC. 45BB OF THE CODE)

PRESENT LAW

For a general description of individual coverage HRAs and CHOICE arrangements, see Section A of this Part.

REASONS FOR CHANGE

The Committee believes that individual coverage HRAs have greatly enhanced the health coverage options available to individuals, families, and employers. Take-up of this health coverage model may be muted, however, by employer unfamiliarity and hesitancy. The Committee therefore believes it is appropriate to encourage small businesses to change to the CHOICE arrangement model through a tax credit.

EXPLANATION OF PROVISION

The provision establishes a new credit for employers whose employees are enrolled in CHOICE arrangements maintained by the employer. The credit is determined with respect to each employee

[410] As described in the description of the provision in Section A of this Part, all references to CHOICE arrangements incorporate reference to individual coverage HRAs offered under the individual coverage HRA final rules.

enrolled in such a CHOICE arrangement during the credit period, which is the first two one-year periods beginning with the month during which the employer first establishes a CHOICE arrangement of behalf of its employees.

The credit equals (1) $100 multiplied by the number of months for which the employee is enrolled in the CHOICE arrangement during the first year of the credit period, and (2) one-half of the dollar amount in (1), multiplied by the number of months the employee is enrolled in the CHOICE arrangement during the second year of the credit period. The $100 amount is adjusted for inflation beginning in 2027.

In order to be eligible for the credit, the employer must not (with respect to any taxable year beginning in a calendar year) be an applicable large employer for the calendar year under section 4980H. In addition, an employee is not taken into account for the credit unless the employee would be treated as eligible for minimum essential coverage for purposes of the premium tax credit, without regard to whether the employee has enrolled in the Choice arrangement offered by the employer. Therefore, the credit is available only when the employer's offer of a CHOICE arrangement constitutes affordable minimum essential coverage that provides minimum value.[411]

The credit is part of the general business credit and is allowed against the alternative minimum tax.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

INDIVIDUALS ENTITLED TO PART A OF MEDICARE BY REASON OF AGE ALLOWED TO CONTRIBUTE TO HEALTH SAVINGS ACCOUNTS (SEC. 110204 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

Health savings accounts

An individual may contribute to a health savings account (an "HSA") only if the individual is covered under a plan that meets the requirements for a high deductible health plan, as described below. In general, HSAs provide tax-favored treatment for current medical expenses, as well as the ability to save on a tax-favored basis for future medical expenses. In general, an HSA is a tax-exempt trust or custodial account created exclusively to pay for the qualified medical expenses of the account holder and his or her spouse and dependents.

Within limits,[412] contributions to an HSA made by or on behalf of an eligible individual (with the exception of contributions by the individual's employer) are deductible by the individual. HSA con-

[411] The IRS has published regulations for determining when an individual coverage HRA (and thus a CHOICE arrangement) constitutes such coverage at Treas. Reg. sec. 1.36B–2(c)(5).

[412] For 2025, the basic limit on annual contributions that can be made to an HSA is $4,300 in the case of self-only coverage and $8,550 in the case of family coverage. Rev. Proc. 2024–25, 2024–22 I.R.B. 1333. The basic annual contribution limits are increased by $1,000 for individuals who have attained age 55 by the end of the taxable year (referred to as "catch-up" contributions). Sec. 223(b)(3).

tributions made on behalf of an eligible individual by their employer are excludible from income and from wages for employment tax purposes. Earnings on amounts in HSAs are not taxable. Distributions from an HSA used for qualified medical expenses are not includible in gross income. Distributions from an HSA that are not used for qualified medical expenses are includible in gross income and are subject to an additional tax of 20 percent. The 20-percent additional tax does not apply if the distribution is made after death, disability, or the individual attains the age of Medicare eligibility (age 65).

High deductible health plans

A high deductible health plan (an "HDHP") is a health plan that has an annual deductible which is not less than $1,650 (for 2025) for self-only coverage (twice this amount for family coverage), and for which the sum of the annual deductible and other annual out-of-pocket expenses (other than premiums) for covered benefits does not exceed $8,300 (for 2025) for self-only coverage (twice this amount for family coverage).[413] These dollar thresholds are adjusted for inflation.[414]

An individual who is covered under an HDHP is eligible to contribute to an HSA, provided that while such individual is covered under the HDHP, the individual is not covered under any health plan that (1) is not an HDHP and (2) provides coverage for any benefit (subject to certain exceptions) covered under the HDHP.[415]

Various types of coverage are disregarded for this purpose, including coverage of any benefit provided by permitted insurance, coverage (whether through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care, as well as certain limited coverage through health flexible spending arrangements.[416] Permitted insurance means insurance under which substantially all of the coverage provided relates to liabilities incurred under workers' compensation laws, tort liabilities, liabilities relating to ownership or use of property, or such other similar liabilities as specified by the Secretary of the Treasury (the "Secretary") under regulations. Permitted insurance also means insurance for a specified disease or illness and insurance paying a fixed amount per day (or other period) of hospitalization.[417]

Under a safe harbor, an HDHP is permitted to provide coverage for preventive care before satisfaction of the minimum deductible.[418] IRS guidance provides for the types of coverage that constitute preventive care for this purpose.[419]

Health savings accounts and entitlement to Medicare

After an individual has attained age 65 and becomes enrolled in Medicare benefits, contributions can no longer be made to the indi-

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[413] *Ibid*. Sec. 223(c)(2).
[414] Sec. 223(g).
[415] Sec. 223(c)(1).
[416] Sec. 223(c)(1)(B).
[417] Sec. 223(c)(3).
[418] Sec. 223(c)(2)(C).
[419] Notice 2004–23, 2004–1 C.B. 725. See also Notice 2004–50, 2004–33 I.R.B. 196, August 16, 2004, Q&A's–26 and 27; Notice 2008–59, 2008–29 I.R.B. 123, July 21, 2008; Notice 2013–57, 2013–40 I.R.B. 293, September 30, 2013; Notice 2019–45, 2019–32 I.R.B. 593, August 5, 2019; and Notice 2024–75, 2024–44 I.R.B. 1026, October 28, 2024.

vidual's HSA.[420] An individual who is receiving retirement benefits from Social Security or the Railroad Retirement Board is automatically enrolled in both Medicare Part A (hospital insurance benefits) and Part B (supplementary medical insurance benefits) starting the first day of the month in which he or she attains age 65.[421] When an individual is automatically enrolled in Medicare at age 65, the amount that can be deducted by that individual for contributions to the HSA drops to zero for the first month (and each subsequent month) that the individual is entitled to Medicare benefits.[422] In addition, the 20-percent additional tax that otherwise applies to distributions not used for qualified medical expenses does not apply if the distribution is made after the individual attains age 65.

Qualified medical expenses

Generally, for purposes of distributions from HSAs, qualified medical expenses[423] mean amounts paid for medical care[424] or menstrual care products. Medical care generally means amounts paid for the diagnosis, cure, mitigation, treatment and prevention of disease, or for the purpose of affecting any structure or function of the body, as well as transportation primarily for and essential to medical care. Health insurance premiums are generally not qualified medical expenses,[425] but an individual who attains the age of Medicare eligibility (age 65) may use an HSA to pay for health insurance other than a Medicare supplemental policy.[426]

REASONS FOR CHANGE

As Americans increasingly work later into their lives, the Committee believes that an individual should not be precluded from contributing to an HSA because the individual is entitled to Medicare Part A merely because the individual has elected to receive Social Security retirement benefits.

EXPLANATION OF PROVISION

Under the provision, with respect to an individual who is Medicare eligible but enrolled only in Medicare Part A, such coverage

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[420] See sec. 223(b)(7), as interpreted by Notice 2004–2, 2004–2 I.R.B. 269, January 12, 2004, corrected by Announcement 2004–67, 2004–36 I.R.B. 459, September 7, 2004 ("After an individual has attained age 65 and becomes enrolled in Medicare benefits, contributions, including catch-up contributions, cannot be made to an individual's HSA."). See also Notice 2004–50, 2004–33 I.R.B. 196, August 16, 2004, Q&A–2 ("Thus, an otherwise eligible individual under section 223(c)(1) who is not actually enrolled in Medicare Part A or Part B may contribute to an HSA until the month that individual is enrolled in Medicare."); Notice 2008–59, 2008–29 I.R.B. 123, July 21, 2008, Q&A–5 and Q&A–6 ("[A]n individual is not an eligible individual under section 223(c)(1) in any month during which such individual is both eligible for benefits under Medicare and enrolled to receive benefits under Medicare[, including Part D (or any other Medicare benefit)]"). See also Treas. Reg. sec. 54.4980B–7 Q&A(3)(b) (regarding "entitlement" to Medicare benefits: "A qualified beneficiary becomes entitled to Medicare benefits upon the effective date of enrollment in either part A or B, whichever occurs earlier. Thus, merely being eligible to enroll in Medicare does not constitute being entitled to Medicare benefits.").

[421] Sec. 226(a) of the Social Security Act, 42 U.S.C. sec. 426(a). Medicare Part B, however, is a voluntary program, and enrollees must pay premiums. See sec. 1839 of the Social Security Act, 42 U.S.C. sec. 1395r.

[422] Sec. 223(b)(7).

[423] Sec. 223(d)(2).

[424] Based on the definition under sec. 213(d).

[425] Sec. 223(d)(2)(B).

[426] As defined in section 1882 of the Social Security Act, 42 U.S.C. sec. 1395ss. Sec. 223(d)(2)(C)(iv).

does not cause the allowable deduction for contributions to an HSA to become zero during any month for such individual. Such coverage also does not cause an individual to be considered as having a health plan or other coverage that would cause that individual to fail to be an eligible individual for purposes of making contributions to an HSA. Thus, an individual eligible for Medicare but enrolled only in Medicare Part A would not fail to be treated as eligible to make HSA contributions merely by reason of enrollment in Medicare Part A.

In addition, the provision provides that individuals who have attained age 65 and who are eligible to contribute to an HSA generally may not use HSA funds to pay for health insurance, unlike other individuals who have attained age 65, and that the 20-percent additional tax on HSA distributions that otherwise does not apply to individuals who have attained age 65 continues to apply if the individual is an eligible individual.

EFFECTIVE DATE

The provision applies to months beginning after December 31, 2025.

TREATMENT OF DIRECT PRIMARY CARE SERVICE ARRANGEMENTS (SEC. 110205 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

Direct primary care service arrangements

For a general description of HSA eligibility, see Section D of this Part.

Under present law, a direct primary care service arrangement may constitute other health coverage, depending on the specific attributes of the arrangement, and therefore an individual covered by a direct primary care service arrangement may not be eligible to contribute to an HSA.[427]

REASONS FOR CHANGE

The Committee believes that direct primary care service arrangements are an important tool for families looking for low-cost, high-quality primary care, and that current law may impede the use of direct primary care service arrangements because taxpayers may not be able to contribute to an HSA at the same time they are enrolled in a direct primary care service arrangement. The Committee therefore believes it is vital to make clear that individuals enrolled in direct primary care service arrangements may continue to contribute to HSAs and may use HSA funds to pay for these types of arrangements.

[427] See IRS, Certain Medical Care Arrangements, proposed rule, 85 Fed. Reg. 35398, June 10, 2020. In the proposed rule, the IRS proposed defining a direct primary care arrangement as a contract between an individual and one or more primary care physicians under which the physician or physicians agree to provide medical care for a fixed annual or periodic fee without billing a third party.

EXPLANATION OF PROVISION

Under the provision, a direct primary care service arrangement is not treated as a health plan that makes an individual ineligible to contribute to an HSA. For this purpose, a direct primary care service arrangement means, with respect to any individual, an arrangement under which such individual is provided medical care consisting solely of primary care services provided by primary care practitioners[428] if the sole compensation for such care is a fixed periodic fee. With respect to any individual for any month, the aggregate fees for all direct primary care service arrangements for such individual for such month cannot exceed $150 per month (in the case of an individual with any such arrangement that covers more than one individual, twice such dollar amount). The aggregate limit is adjusted annually for inflation.

For this purpose, the term "primary care services" does not include (1) procedures that require the use of general anesthesia, (2) prescription drugs other than vaccines (therefore, vaccines are permitted primary care services), and (3) laboratory services not typically administered in an ambulatory primary care setting. The Secretary, after consultation with the Secretary of HHS, is required to issue regulations or other guidance related to application of this rule. Finally, fees paid for any direct primary care service arrangement are treated as medical expenses (and not the payment of insurance).

EFFECTIVE DATE

The provision applies to months beginning after December 31, 2025.

ALLOWANCE OF BRONZE AND CATASTROPHIC PLANS IN CONNECTION WITH HEALTH SAVINGS ACCOUNTS (SEC. 110206 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

For a general description of HDHPs, see Section D of this Part.

Plans available on the Exchanges[429] are defined by reference to various metal categories which correspond to the percentage of costs an enrollee is expected to incur, including bronze, silver, gold, and platinum plans.[430] A bronze plan provides coverage that is designed to provide benefits that are actuarially equivalent to 60 percent of the full actuarial value of the benefits provided under the plan.[431] This percentage increases to 70 percent in a silver plan, 80 percent in a gold plan, and 90 percent in a platinum plan.

Catastrophic plans[432] do not fall into any of these categories and have low monthly premiums and very high deductibles. Catastrophic plans are available only to individuals under age 30 or in-

[428] As defined in section 1833(x)(2)(A) of the Social Security Act, 42 U.S.C. sec. 13951, without regard to clause (ii) thereof.
[429] See secs. 1311 and 1321 of the PPACA.
[430] See sec. 1302 of the PPACA.
[431] Sec. 1302(d)(1)(A) of the PPACA.
[432] See sec. 1302(e) of the PPACA.

dividuals of any age with a hardship exemption. Under present law, catastrophic plans cannot be HDHPs.

REASONS FOR CHANGE

The Committee believes that individuals enrolled in Exchange health coverage with particularly high deductibles should generally be eligible to contribute to HSAs, even if the particular coverage in which the individual is enrolled does not meet all of the requirements to be an HDHP. Currently, individuals enrolled in bronze plans sometimes may not—and individuals enrolled in catastrophic plans cannot—contribute to HSAs because of mismatches between the requirements applicable to HDHPs and these plan types. The Committee therefore believes it is necessary to address this inequity.

EXPLANATION OF PROVISION

Under the provision, any bronze or catastrophic plan offered in the individual market on an Exchange is treated as an HDHP.

EFFECTIVE DATE

The provision is applicable to months beginning after December 31, 2025.

ON-SITE EMPLOYEE CLINICS (SEC. 110207 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

For a general description of HSAs and HDHPs, see Section D of this Part.

On-site employee clinics

On-site employer-sponsored health clinics may provide a range of health services to employees for free or at a reduced cost. Under IRS guidance, an otherwise eligible individual who has access to free health care or health care at charges below fair market value from a clinic on an employer's premises does not fail to be eligible to contribute to an HSA merely because of this free or reduced cost care as long as the clinic does not provide significant benefits in the nature of medical care in addition to disregarded coverage or preventive care.

For example, an employer that provides the following free health care (in addition to disregarded coverage or preventive care) for employees does not provide significant benefits in the nature of medical care: (1) physicals and immunizations, (2) injecting antigens provided by employees, such as performing allergy injections, (3) a variety of aspirin and other nonprescription pain relievers, and (4) treatment for injuries caused by accidents at a plant. However, a hospital that permits its employees to receive care at its facilities for all their medical needs for free (when the employee does not have insurance) or that waives copays and deductibles (when the employee has health insurance) provides significant benefits in

the nature of medical care, and the hospital's employees fail to be eligible individuals for purposes of HSA contributions.[433]

Preventive care

The IRS has issued guidance providing a safe harbor for preventive care benefits allowed under an HDHP.[434] In that guidance, the IRS defines preventive care as including, but not limited to (1) periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations, such as annual physicals; (2) routine prenatal and well-child care; (3) immunizations; (4) tobacco cessation programs; (5) obesity weight-loss programs; and (6) screening services (such as screening for cancer, heart and vascular diseases, infectious diseases, mental health conditions and substance abuse, metabolic, nutritional, and endocrine conditions, musculoskeletal disorders, obstetric and gynecologic conditions, pediatric conditions, and vision and hearing disorders).

Although the guidance provides that preventive care does not generally include any service or benefit intended to treat an existing illness, injury or condition (with the exception of chronic conditions, as described below), any treatment that is incidental or ancillary to a safe harbor preventive care service or screening (in situations where it would be unreasonable or impracticable to perform another procedure to treat the condition), such as the removal of polyps during a diagnostic colonoscopy, also falls within the safe harbor. In addition, drugs or medications are considered to be preventive care when taken by a person who has developed risk factors for a disease that has not yet manifested itself or not yet become clinically apparent, or to prevent the reoccurrence of a disease from which a person has recovered.

A 2019 executive order included a requirement that Treasury issue guidance to expand the ability of patients to select an HDHP that could be used with an HSA to cover, before the deductible, low-cost preventive care for individuals with chronic conditions.[435] The IRS then issued guidance expanding the list of preventive care benefits permitted to be provided by an HDHP, without a deductible, to include limited preventive care for specified chronic conditions (including congestive heart failure, diabetes, coronary artery disease, osteoporosis and/or osteopenia, hypertension, asthma, diabetes, liver disease and/or bleeding disorders, heart disease, and depression).[436]

Preventive care also encompasses such services that are required to be included by a group health plan or health insurance issuer offering group or individual health insurance coverage under section 2713 of the PHS Act.[437]

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[433] Notice 2008–59, 2008–29 I.R.B. 123, July 21, 2008, Q&A–10.

[434] Notice 2004–23, 2004–1 C.B. 725. See also Notice 2004–50, 2004–33 I.R.B. 196, August 16, 2004; Notice 2008–59, 2008–29 I.R.B. 123, July 21, 2008; Notice 2013–57, 2013–40 I.R.B. 293, September 30, 2013; Notice 2018–12, 2018–12 I.R.B. 441, March 19, 2018; Notice 2019–45, 2019–32 I.R.B. 593, August 5, 2019; and Notice 2024–75, 2024–44 I.R.B. 1026, October 28, 2024.

[435] Executive Order 13877, "Improving Price and Quality Transparency in American Healthcare to Put Patients First," 84 Fed. Reg. 30849, June 27, 2019.

[436] Notice 2019–45, 2019–32 I.R.B. 593, August 5, 2019. The IRS further updated its understanding of preventive care in Notice 2024–75, 2024–44 I.R.B. 1026, October 28, 2024.

[437] Notice 2013–57, 2013–40 I.R.B. 293, September 30, 2013.

REASONS FOR CHANGE

The Committee believes that on-site employee clinics can be an important way for employees and their spouses to access low-cost health care. Employers may be hesitant to offer on-site clinics, however, because of uncertainty as to whether access to on-site clinics may prevent employees and their families from contributing to HSAs. Therefore, the Committee believes it is important to specify that on-site clinics may offer a variety of standard items and services while not disqualifying employees and their spouses from contributing to HSAs.

EXPLANATION OF PROVISION

Under the provision, qualified items and services an otherwise eligible individual is eligible to receive at (1) a health care facility located at a facility owned or leased by the eligible individual's employer (or the employer of the individual's spouse) or (2) at a health care facility operated primarily for the benefit of employees of the individual's employer (or the employees of the individual's spouse's employer) are not treated as coverage under a health plan for purposes of determining the individual's eligibility to contribute to an HSA. Qualified items and services include: (1) physical examinations, (2) immunizations, including injections of antigens provided by employees, (3) drugs or biologicals other than a prescribed drug, (4) treatment for injuries occurring in the course of the individual's employment, (5) preventive care for chronic conditions,[438] (6) drug testing, and (7) hearing or vision screenings and related services.

All entities treated as a single employer[439] under the Code are treated as a single employer under this provision.

EFFECTIVE DATE

The provision applies to months in taxable years beginning after December 31, 2025.

CERTAIN AMOUNTS PAID FOR PHYSICAL ACTIVITY, FITNESS, AND EXERCISE TREATED AS AMOUNTS PAID FOR MEDICAL CARE (SEC. 110208 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

For a general description of HSAs and HDHPs, see Section D of this Part.

Sports and fitness expenses, such as membership fees at a fitness facility or costs associated with participation or instruction in a program of physical exercise or physical activity, generally are not treated as medical care.[440] Therefore, tax-advantaged distributions from an HSA are generally not available to pay for these expenses.

[438] Defined as any item or service specified in the Appendix of Notice 2019–45 (including any amendment, addition, removal or other modification made by the Secretary to that Appendix subsequent to the date Notice 2019–45 was published) which is prescribed to treat an individual diagnosed with an associated chronic condition for the purpose of preventing (1) the exacerbation of such condition or (2) the development of a secondary condition.

[439] Under sec. 414(b), (c), (m), or (o).

[440] See, *e.g.*, CCA 201622031, May 27, 2016. Under guidance, certain expenses may be treated as medical care. For example, taxpayers may deduct the cost of a weight loss program if the

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REASONS FOR CHANGE

The Committee believes that physical fitness activities and exercise are key components of a healthy lifestyle. However, individuals and families generally cannot use HSAs to pay for these activities. The Committee therefore believes it is appropriate to encourage physical fitness and exercise by permitting individuals to use HSAs to pay for physical fitness activities and exercise.

EXPLANATION OF PROVISION

The provision amends the Code to expand the definition of qualified medical expenses for HSA purposes to include certain sports and fitness expenses paid for the purpose of participating in a physical activity, including (1) membership at a fitness facility and (2) participation or instruction in physical exercise or physical activity.

For this purpose, a fitness facility means a facility providing instruction in a program of physical exercise, offering facilities for the preservation, maintenance, encouragement, or development of physical fitness, or serving as the site of such a program of a State or local government: (1) which is not a private club owned and operated by its members; (2) which does not offer golf, hunting, sailing, or riding facilities; (3) the health or fitness facility component of which is not incidental to its overall function and purpose; and (4) which is fully compliant with applicable State and Federal antidiscrimination laws. In the case of any program that includes physical exercise or physical activity and also other components (such as travel or accommodations), expenses paid for other components may not be taken into account.[441]

Amounts paid for videos, books, or similar materials are not treated as qualifying expenses, nor are amounts paid for one-on-one personal training. Amounts paid for remote or virtual instruction in physical exercise or activity are not qualifying expenses unless the virtual or remote instruction is provided live in real-time. Amounts also do not qualify unless, in the case of a membership at a fitness facility, the membership lasts for more than one day, and, in the case of a participation or instruction in physical exercise or physical activity, the amount paid constitutes payment for more than one occasion of the participation or instruction.

The provision limits distributions from an HSA for sport and physical activity expenses for any taxable year to $500 for single taxpayers and $1,000 in the case of a joint or head of household return. These amounts are indexed to inflation. The limit for every month is 1/12th of the relevant total amount.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

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individual is diagnosed as obese or is directed by a doctor to lose weight as treatment for a specific disease. See Rev. Rul. 2002–19, 2002–16 I.R.B. 778.

[441] Rules similar to those applied under section 213(d)(6) are specified for this purpose.

ALLOW BOTH SPOUSES TO MAKE CATCH-UP CONTRIBUTIONS TO THE SAME HEALTH SAVINGS ACCOUNT (SEC. 110209 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

Health savings accounts

For a general description of HSAs, see Section D of this Part.

Within limits, contributions to an HSA made by or on behalf of an eligible individual (with the exception of contributions by the individual's employer) are deductible by the individual. For 2025, the basic limit on annual contributions that can be made to an HSA is $4,300 in the case of self-only coverage and $8,550 in the case of family coverage.[442] The basic annual contributions limits are increased by $1,000 for individuals who have attained age 55 by the end of the taxable year (referred to as "catch-up" contributions).[443] If eligible individuals are married to each other and either spouse has family coverage, both spouses are treated as having only family coverage, so that the coverage limit for family coverage applies. The contribution limit, after being reduced by the aggregate amount paid to the Archer Medical Savings Accounts ("Archer MSAs") of the spouses but without regard to any catch-up contribution amounts, is divided equally between the spouses unless they agree to a different division.[444]

If both spouses of a married couple are eligible individuals, each may contribute to an HSA, but they cannot have a joint HSA.[445] Under the rule described above, however, the spouses may divide their basic contribution limit for the year by allocating the entire amount to one spouse to be contributed to that spouse's HSA.[446] However, this allocation rule does not apply to catch-up contribution amounts. Thus, if both spouses are at least age 55 and eligible to make catch-up contributions, each must make the catch-up contribution to his or her own HSA.[447]

REASONS FOR CHANGE

The Committee believes that HSAs are a useful tool to allow and encourage individuals and families to cover current and future health care expenses. The Committee further believes that there should be fewer barriers for those wishing to contribute to their HSAs.

Therefore, the Committee believes that spouses should be allowed to make catch-up contributions to the same HSA, without requiring each spouse to make the catch-up contribution to his or her own HSA.

EXPLANATION OF PROVISION

Under the provision, if both spouses of a married couple are eligible for catch-up contributions (i.e., both spouses are at least age 55)

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[442] Rev. Proc. 2022–24, 2022–20 I.R.B. 1075.
[443] Sec. 223(b)(3).
[444] Sec. 223(b)(5).
[445] Notice 2004–50, 2004–2 C.B. 196, Q&A–63.
[446] Notice 2004–50, 2004–2 C.B. 196, Q&A–32. Funds from the spouse's HSA may be used to pay qualified medical expenses for either spouse on a tax-free basis. Notice 2004–50, Q&A–36.
[447] Notice 2004–50, 2004–2 C.B. 196, Q&A–22.

and either has family coverage under a high deductible health plan as of the first day of any month, the annual contribution limit that can be allocated between them (after being reduced by the aggregate amount paid to the Archer MSAs of the spouses) includes the catch-up contribution amounts of both spouses. Thus, for example, the spouses may agree to have their combined basic and catch-up contribution amounts allocated to one spouse to be contributed to that spouse's HSA.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

FSA AND HRA TERMINATIONS OR CONVERSIONS TO FUND HSAS (SEC. 110210 OF THE BILL AND SECS. 106 AND 223 OF THE CODE)

PRESENT LAW

Flexible spending arrangements

A flexible spending arrangement (an "FSA") generally is defined as a benefit program which provides employees with coverage under which specific incurred expenses may be reimbursed (subject to reimbursement maximums and other conditions) and the maximum amount of reimbursement reasonably available is less than 500 percent of the value of such coverage.[448] An FSA under a cafeteria plan[449] allows an employee to make salary reduction contributions for use in receiving reimbursements for certain incurred expenses.[450] The arrangement can also include non-elective employer contributions (known as employer flex-credits) that the employer makes available for every employee eligible to participate in the employer's cafeteria plan, to be used only for certain tax-excludable benefits (but not as cash or a taxable benefit).[451] Types of expenses that may be reimbursed under an FSA in a cafeteria plan include medical expenses (a "health FSA") and dependent care expenses.

FSAs that are funded on a salary reduction basis are subject to the requirements for cafeteria plans, including a requirement that amounts remaining in a health FSA at the end of a plan year generally must be forfeited by the employee (referred to as the "use-it-or-lose-it rule").[452] However, a cafeteria plan may allow a grace period not to exceed two and one-half months immediately following the end of the plan year during which unused amounts may be paid or reimbursed to participants for qualified expenses incurred during the grace period.[453] Alternatively, a cafeteria plan may permit up to $660 (for 2025) of unused amounts remaining in

[448] See sec. 106(c)(2) and Prop. Treas. Reg. sec. 1.125–5(a).

[449] A cafeteria plan is a separate written plan of an employer under which all participants are employees, and participants are permitted to choose among at least one permitted taxable benefit (for example, current cash compensation) and at least one qualified benefit. Sec. 125(d). Qualified benefits are generally employer-provided benefits that are not includible in gross income by reason of an express provision of the Code. Sec. 125(f). Examples of qualified benefits include employer-provided health coverage (including a health FSA), group term life insurance coverage not in excess of $50,000, and benefits under a dependent care assistance program.

[450] Sec. 125 and Prop. Treas. Reg. sec. 1.125–5.

[451] Prop. Treas. Reg. sec. 1.125–5(b).

[452] Sec. 125(d)(2).

[453] Notice 2005–42, 2005–1 C.B. 1204, and Prop. Treas. Reg. sec. 1.125–1(e).

a health FSA at the end of a plan year to be paid or reimbursed to plan participants for qualifying medical expenses during the following plan year.[454] Such a carryover is not permitted in a dependent care FSA. A cafeteria plan may permit a carryover of amounts in a health FSA only if the plan does not also allow a grace period with respect to the health FSA.

Health FSAs

In order for coverage and reimbursements under a health FSA to qualify for tax-favored treatment, the health FSA must qualify as an accident and health plan.[455] Under the Code, the value of employer-provided health coverage under an accident or health plan is generally excludable from gross income,[456] as are reimbursements under the plan for medical care expenses for employees, their spouses, and their dependents.[457] A health FSA may reimburse only medical expenses as defined in section 213(d), but may not be used to reimburse health insurance premiums.[458]

A benefit provided under a cafeteria plan through employer contributions to a health FSA is not treated as a qualified benefit unless the cafeteria plan provides that an employee may not elect salary reduction contributions in excess of $2,500, adjusted for inflation, for any taxable year.[459] For taxable year 2025, the limit is $3,300.

Health reimbursement arrangements

As described in greater detail in Section A of this Part, Health reimbursement arrangements ("HRAs") operate in a manner similar to health FSAs, in that they are employer-maintained arrangements that reimburse employees and their dependents[460] for medical expenses. Some of the rules applicable to HRAs and health FSAs are similar (e.g., the amounts in the arrangements can be used only to reimburse medical expenses), but the rules are not identical. In particular, HRAs cannot be funded on a salary reduction basis and the use-it-or-lose-it rule does not apply. Thus, amounts remaining in an HRA at the end of the year may be carried forward to be used to reimburse medical expenses in following years.[461] Unlike a health FSA, an HRA is permitted to reimburse an employee for health insurance premiums.

Health savings accounts and high deductible health plans

For a general description of HSAs and HDHPs, see Section D of this Part.

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[454] Rev. Proc. 2024–40, 2024–45 I.R.B. 1100. See also Notice 2020–33, 2020–22 I.R.B. 868, May 26, 2020; Notice 2013–71, 2013–47 I.R.B. 532, November 18, 2013.

[455] Secs. 105 and 106; Prop. Treas. Reg. sec. 1.125–5(k)(1).

[456] Sec. 106. Health coverage provided to active members of the uniformed services, military retirees, and their dependents are excludable from gross income under section 134. That section provides an exclusion for "qualified military benefits," defined as benefits received by reason of status or service as a member of the uniformed services and which were excludable from gross income on September 9, 1986, under any provision of law, regulation, or administrative practice then in effect.

[457] Sec. 105(b).

[458] Prop. Treas. Reg. sec. 1.125–5(k)(2).

[459] Sec. 125(i).

[460] As defined in sec. 152.

[461] Guidance with respect to HRAs, including the interaction of FSAs and HRAs in the case of an individual covered under both, is provided in Notice 2002–45, 2002–2 C.B. 93.

Interactions of HSAs with FSAs and HRAs

Individuals who are covered by a health plan that is not an HDHP generally are not eligible to contribute to an HSA. Under IRS guidance, a health FSA and an HRA are generally considered health plans under this definition.[462] However, FSA and HRA terminations could be used to fund HSAs within a certain period (as described further below). In addition, an individual does not fail to be an eligible individual for the purpose of making contributions to an HSA if the individual is covered under the following HSA-compatible arrangements (or some combination of the following arrangements): (1) a limited-purpose health FSA that pays or reimburses only permitted coverage or preventive care services, (2) a limited-purpose HRA that pays or reimburses benefits for permitted insurance, permitted coverage, or preventive care services, (3) a suspended HRA that does not pay or reimburse any medical expense incurred during the suspension period except permitted insurance, permitted coverage, or preventive care services, or (4) a post-deductible health FSA or HRA, which does not pay or reimburse medical expenses incurred below the minimum annual deductible for a plan to be an HDHP.[463]

If a general purpose health FSA allows reimbursement for expenses incurred during a grace period following the end of the plan year, a participant in the health FSA is generally not eligible to make contributions to an HSA until the first day of the first month following the end of the grace period.[464] However, this rule does not apply if the participant has a zero balance in the general purpose health FSA on the last day of the health FSA plan year (as determined on a cash basis[465]).[466] Thus, in that case the individual's health FSA coverage during the grace period does not cause the individual to fail to be eligible to contribute to an HSA, and the individual (if otherwise eligible) would be eligible to contribute to the HSA as of the first day after the end of the health FSA plan year. Similarly, an individual with a zero balance in a general purpose HRA, determined on a cash basis, on the last day of the HRA plan year, does not fail to be an eligible individual on the first day of the immediately following HRA plan year, as long as certain requirements are satisfied.[467] Coverage by an HSA-compatible health FSA or HRA does not affect an employee's eligibility to contribute to an HSA, including during a health FSA grace period.[468]

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[462] Rev. Rul. 2004–45, 2004–1 C.B. 971.

[463] As defined in sec. 223(c)(2)(A)(i). Rev. Rul. 2004–45, 2004–1 C.B. 971.

[464] Notice 2005–42, 2005–1 C.B. 1204.

[465] "Cash basis" means the balance as of any date, without taking into account expenses incurred that have not been reimbursed as of that date. Thus, pending claims, claims submitted, claims received or claims under review that have not been paid as of a date are not taken into account for purposes of determining the account balance as of that date.

[466] Sec. 223(c)(1)(B)(iii)(I).

[467] One of the following requirements must be satisfied: (1) effective on the first of the immediately following HRA plan year, the employee elects to waive participation in the HRA, or (2) effective on or before the first day of the following HRA plan year, the employer terminates the general purpose HRA with respect to all employees, or (3) effective on or before the first day of the following HRA plan year, with respect to all employees, the employer converts the general purpose HRA to an HSA-compatible HRA. See Rev. Rul. 2004–45, 2004–1 C.B. 971.

[468] Rev. Rul. 2004–45, 2004–1 C.B. 971.

FSA and HRA terminations to fund HSAs

The Health Opportunity Empowerment Act of 2006[469] amended the Code to allow for certain amounts in a health FSA or HRA to be rolled over into an HSA with favorable tax treatment ("qualified HSA distributions"). However, such distributions were permitted only for contributions made to an HSA before January 1, 2012.[470]

As implemented by the IRS, a plan implementing the provision must be amended in writing, the employee must elect the rollover, and the year-end balance must be frozen.[471] The amount of the qualified HSA distribution may not exceed the lesser of the balance in the health FSA or HRA on September 21, 2006 or the date of distribution.[472] Funds must be transferred by the employer within two and a half months after the end of the plan year and result in a zero balance in the health FSA or HRA.[473]

In addition, a qualified HSA distribution must be contributed directly to the HSA trustee by the employer.[474] Only one qualified HSA distribution is allowed with respect to each health FSA or HRA of an individual. Qualified HSA distributions are not taken into account in applying the annual limit for HSA contributions. Qualified HSA distributions are treated as rollovers, and thus are not deductible.

If an employee fails to remain HSA-eligible for 12 months (the "testing period")[475] following the distribution, the employee is not eligible directly following the distribution, and the amount of the rollover is included in gross income and is subject to an additional 20-percent tax unless the individual dies or becomes disabled.[476] Failure to remain an eligible individual does not require the withdrawal of the qualified HSA distribution, and the amount is not an excess contribution.

An individual making a qualified HSA distribution from a health FSA does not fail to be eligible to participate in an HSA at the beginning of the next plan year merely because the health FSA includes a grace period, provided that the qualified HSA distribution equals the remaining balance in the FSA at the end of the FSA plan year and is made at the end of such plan year.[477]

REASONS FOR CHANGE

In order to improve access to savings in health care costs through HSAs, the Committee believes it is important to increase flexibility in enrollment in HSAs. Therefore, the Committee believes that individuals who wish to convert their health FSA or HRA to an HSA should be permitted to do so.

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[469] The Health Opportunity Patient Empowerment Act of 2006, included in the Tax Relief and Health Care Act of 2006, Pub. L. No. 109–432, sec. 302, December 20, 2006.

[470] Sec. 106(e)(2)(B).

[471] Notice 2007–22, 2007–1 C.B. 670.

[472] Sec. 106(e)(2)(A).

[473] The IRS provided guidance on special transition relief for amounts remaining at the end of 2006. See Notice 2007–22, 2007–1 C.B. 670.

[474] Sec. 106(e)(2)(B).

[475] The testing period is defined to be the period beginning with the month in which the qualified HSA distribution is contributed to the HSA and ending on the last day of the 12th month following that month.

[476] Sec. 106(e)(3).

[477] Sec. 223(c)(1)(B)(iii)(II); Notice 2007–22, 2007–1 C.B. 670.

EXPLANATION OF PROVISION

The provision amends the provision permitting certain amounts in a health FSA or HRA to be rolled over into an HSA by no longer requiring such rollovers to be completed by January 1, 2012. Rather, under the provision, a "qualified HSA distribution" is a distribution from an employee's health FSA or HRA contributed directly to an employee's HSA if (1) such distribution is made in connection with the employee establishing coverage under an HDHP, and (2) during the four-year period preceding the establishment of such coverage, the employee was not covered under an HDHP. In addition, if the qualified HSA distribution is made before the end of the plan year, the health FSA or HRA from which the distribution is made must be converted to an HSA-compatible FSA or HRA, as applicable, for the portion of the plan year after the distribution is made, if the individual remains enrolled in the health FSA or HRA.

Under the provision, the aggregate amount of qualified HSA distributions may not exceed the total annual limit on FSA contributions ($3,300 in 2025)[478] or twice this amount in the case of an eligible individual who has family coverage under an HDHP. The provision does not limit individuals to one qualified HSA distribution, as under the prior standard. Qualified HSA distributions also reduce the amount of contributions that an individual is permitted to make to an HSA during the taxable year.[479]

The provision also specifies that if a general purpose health FSA or HRA is converted to an HSA-compatible FSA or HRA, coverage under this health FSA or HRA for the portion of the plan year after a qualified HSA distribution is made is disregarded in determining whether the individual is eligible to make deductible contributions to an HSA.

Finally, the provision provides that the amount of any qualified HSA distribution is to be included on the information to be reported on Form W–2.[480]

EFFECTIVE DATE

The provision is effective for distributions made after December 31, 2025.

SPECIAL RULE FOR CERTAIN MEDICAL EXPENSES INCURRED BEFORE ESTABLISHMENT OF HEALTH SAVINGS ACCOUNT (SEC. 110211 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

Health savings accounts and high deductible health plans

For a general description of HSAs and HDHPs, see Section D of this Part.

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[478] See sec. 125(i).

[479] The deductible contribution limit with respect to an HSA is reduced by so much of any qualified HSA distribution made by an individual during the taxable year that does not exceed the aggregate increases in the balance of the arrangement from which the distribution is made that occur during the portion of the plan year preceding the distribution (other than any balance carried over to such plan year and determined without regard to any decrease in the balance during such portion of the plan year).

[480] Sec. 6051(a).

In order for a distribution from an HSA to be excludable as a payment for a qualified medical expense, the medical expense must be incurred on or after the date that the HSA is established.[481] Thus, a distribution from an HSA is not excludable as a payment for a qualified medical expense if the medical expense is incurred after a taxpayer enrolls in a high deductible health plan but before the taxpayer establishes an HSA.

REASONS FOR CHANGE

The Committee believes connecting consumers to their health care dollars through consumer-directed health plans, including HDHPs, reduces health care costs. The Committee further believes that HSAs are an important tool used in conjunction with HDHPs to permit consumers to set aside funds and provide such consumers a choice on how to spend those funds to pay for medical care.

The Committee believes that allowing an HSA to be treated as established on the date coverage under an HDHP begins will expand access to and enhance the utility of HSAs.

EXPLANATION OF PROVISION

Under the provision, if an HSA is established during the 60-day period beginning on the date that an individual's coverage under an HDHP begins, then, solely for purposes of determining whether an amount paid is used for a qualified medical expense, the HSA is treated as having been established on the date that coverage under the HDHP begins. Thus, if a taxpayer establishes an HSA within 60 days of the date that the taxpayer's coverage under an HDHP begins, any distribution from an HSA used as a payment for a qualified medical expense incurred during that 60-day period after the HDHP coverage began is excludable from gross income as a payment for a qualified medical expense even though the expense was incurred before the date that the HSA was established.

EFFECTIVE DATE

The provision is effective with respect to coverage beginning after December 31, 2025.

CONTRIBUTIONS PERMITTED IF SPOUSE HAS HEALTH FLEXIBLE SPENDING ARRANGEMENT (SEC. 110212 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

Flexible spending arrangements

For a description for FSAs, see Section J of this Part.

Health savings accounts and high deductible health plans

For a general description of HSAs and HDHPs, see Section D of this Part.

[481] Notice 2004–2, 2004–1 C.B. 269, Q&A–26.

REASONS FOR CHANGE

The Committee wishes to help working families by improving access to tax-advantaged accounts such as HSAs. The Committee believes that an individual should not be ineligible for an HSA merely because the individual's spouse is covered under a health FSA. Thus, the Committee believes that a spouse's coverage under a health FSA should not prevent an individual from being eligible for an HSA, provided that the spouse's FSA is not used to cover the individual's medical expenses.

EXPLANATION OF PROVISION

The provision provides that for purposes of determining whether an individual is eligible to contribute to an HSA, coverage under the employee's spouse's health FSA for any plan year of such FSA is disregarded, provided that certain requirements are met. In order to qualify for this exception, the aggregate reimbursements under the health FSA for the plan year must not exceed the aggregate expenses that would be eligible for reimbursement under the FSA if the expenses were determined without regard to any expenses paid or incurred with respect to the otherwise HSA-eligible individual.

EFFECTIVE DATE

The provision is effective for plan years beginning after December 31, 2025.

INCREASE IN HEALTH SAVINGS ACCOUNT CONTRIBUTION LIMITATION FOR CERTAIN INDIVIDUALS (SEC. 110213 OF THE BILL AND SEC. 223 OF THE CODE)

PRESENT LAW

Health savings accounts and high deductible health plans

For a general description of HSAs and HDHPs, see Section D of this Part.

Within limits, contributions to an HSA made by or on behalf of an eligible individual (with the exception of contributions by the individual's employer) are deductible by the individual. The annual HSA contribution limit for an individual is generally the sum of the limits determined separately for each month (*i.e.,* 1/12 of the limit for the year, including the catch-up limit, if applicable), based on the individual's status and health plan coverage as of the first day of the month.[482] For 2025, the basic limit on annual contributions that can be made to an HSA is $4,300 in the case of self-only coverage and $8,550 in the case of family coverage.[483] The basic annual contribution limits are increased by $1,000 for individuals who have attained age 55 by the end of the taxable year (referred to as "catch-up" contributions).[484]

[482] Sec. 223(b).
[483] Rev. Proc. 2024–25, 2024–22 I.R.B. 1333.
[484] Sec. 223(b)(3).

REASONS FOR CHANGE

The Committee believes that HSAs are a useful tool to allow and encourage individuals and families to cover current and future health care expenses. However, the Committee believes that annual HSA contribution limits are too low, given the significant increases in medical costs, particularly for lower-income individuals and families.

Therefore, the Committee believes that the HSA contribution limit for lower-income individuals and families should be increased to better reflect the actual health care costs that individuals and families may have to cover.

EXPLANATION OF PROVISION

Subject to limitations based on income, the provision increases the limit on deductions related to aggregate HSA contributions for a year by $4,300 for taxpayers with self-only coverage and by $8,550 for those with family coverage. These amounts are subject to an inflation adjustment.

The increased amount is phased out above certain income levels.[485] For eligible individuals with self-only coverage or filing a return as a single filer, married filing separately, or head of household, the increased amount phases out ratably over a range beginning at $75,000 and ending at $100,000 of adjusted gross income. For eligible individuals with family coverage and who are filing as married filing jointly the increased amount phases out ratably over a range beginning at $150,000 and ending at $200,000 of adjusted gross income. These income limitations are subject to inflation adjustment.

For purposes of the income limitation and phaseout, adjusted gross income is determined in the same manner as under section 219(g), related to retirement plan contributions, except that this amount excludes any deduction allowed for a contribution to an HSA.[486]

The increased limit applies only to the deductible amount. There is no increase in the limit for employer contributions to an employee's HSA, including contributions made under a cafeteria plan.[487]

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

REGULATIONS (SEC. 110214 OF THE BILL)

The provision provides that the Secretary of the Treasury may prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments by this Part of Subtitle A, including provisions related to CHOICE arrangements and HSAs.

[485] Sec. 223(b)(9)(B).

[486] Under section 219(g), adjusted gross income is determined after application of sections 86 and 469, and without regard to sections 85(c), 135, 137, 221, 911, and the deduction allowed under section 219. Sec. 219(g)(3)(A). Adjusted gross income is defined in section 62.

[487] Sec. 106(d)(1).

SUBTITLE B—MAKE RURAL AMERICA AND MAIN STREET GROW AGAIN

PART I—EXTENSION OF TAX CUTS AND JOBS ACT REFORMS FOR RURAL AMERICA AND MAIN STREET

EXTENSION OF SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN PROPERTY (SEC. 111001 OF THE BILL AND SEC. 168(k) OF THE CODE)

PRESENT LAW

A taxpayer generally must capitalize the cost of property used in a trade or business or held for the production of income and recover the cost over time through annual deductions for depreciation or amortization.[488] The period for depreciation or amortization generally begins when the asset is placed in service by the taxpayer.[489] Tangible property generally is depreciated using the modified accelerated cost recovery system ("MACRS"), which determines depreciation for different types of property based on an assigned applicable depreciation method, recovery period, and convention.[490]

Bonus depreciation

An additional first-year depreciation deduction equal to 100 percent of the adjusted basis of qualified property[491] is allowed for property acquired after September 27, 2017,[492] and placed in service before January 1, 2023 (January 1, 2024 for certain property with a recovery period of at least 10 years, or certain transportation property[493] and aircraft[494]). The 100 percent allowance is phased down by 20 percentage points per calendar year for property acquired after September 27, 2017, and placed in service after December 31, 2022 (after December 31, 2023, for longer production

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[488] See secs. 263(a) and 167. In general, only the tax owner of property (i.e., the taxpayer with the benefits and burdens of ownership) is entitled to claim cost recovery deductions for the property. Where property is not used exclusively in a taxpayer's business, the amount eligible for a deduction must be reduced by the amount related to personal use. See, *e.g.,* sec. 280A.

[489] See Treas. Reg. secs. 1.167(a)–10(b), –3, –14, and 1.197–2(f). See also Treas. Reg. sec. 1.167(a)–11(e)(1)(i).

[490] Sec. 168.

[491] Sec. 168(k). The bonus depreciation deduction is generally subject to the rules regarding whether a cost must be capitalized under section 263A. For a description of section 263A, see Joint Committee on Taxation, Present Law and Background Regarding the Federal Income Taxation of Small Businesses (JCX–10–23), June 5, 2023, pp. 15–17. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[492] For a description of section 168(k) as it applies to qualified property acquired before September 28, 2017, as well as a transition rule that permits a taxpayer to elect to apply a 50-percent allowance instead of the 100 percent allowance for a taxable year that includes September 28, 2017, see Joint Committee on Taxation, *General Explanation of Public Law No. 115–97* (JCS–1–18), December 2018, pp. 115–128. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[493] Property qualifying for the extended placed-in-service date must have a recovery period of at least 10 years or constitute transportation property, have an estimated production period exceeding one year, and have a cost exceeding $1 million. Transportation property generally is defined as tangible personal property used in the trade or business of transporting persons or property. Sec. 168(k)(2)(B). Property defined in section 168(k)(2)(B) is hereinafter collectively referred to as "longer production period property."

[494] Certain aircraft which is not transportation property, other than for agricultural or firefighting uses, also qualifies for the extended placed-in-service date, if at the time of the contract for purchase, the purchaser made a nonrefundable deposit of the lesser of 10 percent of the cost or $100,000, and which has an estimated production period exceeding four months and a cost exceeding $200,000. Sec. 168(k)(2)(C).

period property and certain aircraft).[495] This additional first-year depreciation is commonly referred to as "bonus depreciation." The bonus depreciation applicable percentages for qualified property acquired and placed in service after September 27, 2017 (as well as for specified plants which are planted or grafted after September 27, 2017 (described below)) are as follows.

Placed in service year[496]	Bonus depreciation applicable percentage	
	Qualified property in general/ specified plants	Longer production period property and certain aircraft
Sept. 28, 2017–Dec. 31, 2022	100 percent	100 percent
2023	80 percent	100 percent
2024	60 percent	80 percent
2025	40 percent	60 percent
2026	20 percent	40 percent
2027	None	20 percent[497]
2028 and thereafter	None	None

The bonus depreciation deduction is allowed for both regular tax and alternative minimum tax purposes, but is not allowed in computing earnings and profits.[498] The basis of the property and the depreciation allowances in the placed in service year and later years are adjusted to reflect the bonus depreciation deduction.[499] The amount of the bonus depreciation deduction is not affected by a short taxable year.[500] A taxpayer may elect out of bonus depreciation for any class of property for any taxable year.[501] An election out of bonus depreciation may be revoked only with the consent of the Secretary.[502]

Qualified property

Property qualifying for the bonus depreciation deduction must meet the following requirements:

- The property must be:
  1. property to which MACRS applies with an applicable recovery period of 20 years or less,
  2. computer software other than computer software required to be amortized under section 197,
  3. water utility property,[503] or
  4. a qualified film, television, or live theatrical production,[504] for which a deduction otherwise would have been allowable under section 181 without regard to the dollar limitation or termination of that section;[505]

[495] Sec. 168(k)(6)(A) and (B).
[496] In the case of specified plants, this is the year of planting or grafting, as discussed below.
[497] 20 percent applies to the adjusted basis attributable to its manufacture, construction, or production before January 1, 2027. The remaining adjusted basis does not qualify for bonus depreciation. 20 percent applies to the entire adjusted basis of certain aircraft described in section 168(k)(2)(C) and placed in service in 2027.
[498] Secs. 56A(c)(13), 168(k)(2)(G), and 312(k)(3).
[499] Sec. 168(k)(1).
[500] Treas. Reg. sec. 1.168(k)–2(e)(1)(ii).
[501] For the definition of a class of property, see Treas. Reg. sec. 1.168(k)–2(f)(1)(ii). Treas. Reg. sec. 1.168(k)–2(f)(1) provides the procedures for making an election not to deduct bonus depreciation.
[502] Sec. 168(k)(7). See also Treas. Reg. sec. 1.168(k)–2(f)(5).
[503] As defined in sec. 168(e)(5).
[504] As defined in sec. 181(d) and (e).
[505] Under section 181, a taxpayer may generally elect to deduct up to $15 million of the aggregate production costs ($20 million in the case of productions in certain areas) of any qualified

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- Either (i) the original use of the property must commence with the taxpayer,[506] or (ii) the property must not have been used by the taxpayer at any time before acquisition and the acquisition must meet the requirements of section 179(d)(2)(A)–(C) and (3)[507] and
- The property must be placed in service before January 1, 2027.[508]

The bonus depreciation deduction is not allowed for any property that is required to be depreciated under the alternative depreciation system ("ADS"),[509] or for listed property in respect of which the business use is not greater than 50 percent (as determined under section 280F(b)).[510]

In the case of longer production period property and certain aircraft, the property must also be acquired (or acquired pursuant to a written binding contract entered into) before January 1, 2027, and placed in service before January 1, 2028.[511] With respect to such property that is manufactured, constructed, or produced by the taxpayer for use by the taxpayer, the taxpayer must begin the manufacture, construction, or production of the property before January 1, 2027.[512] Additionally, a special rule limits the amount of costs of longer production period property eligible for bonus depreciation. With respect to this property, only the portion of the basis that is properly attributable to the costs incurred before January 1, 2027 ("progress expenditures") is eligible for the bonus depreciation deduction.[513]

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film, television or live theatrical production, commencing prior to January 1, 2026, in the year the costs are paid or incurred by the taxpayer, in lieu of capitalizing the costs and recovering them through depreciation allowances once the production is placed in service. The costs of the production in excess of the applicable dollar limitation are capitalized and recovered under the taxpayer's method of accounting for the recovery of such property once placed in service (e.g., under section 168(k) if eligible). For a description of section 181, see Joint Committee on Taxation, *General Explanation of Certain Tax Legislation Enacted in the 116th Congress* (JCS–1–22), February 2022, pp. 480–482. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[506] See Treas. Reg. sec. 1.168(k)–2(b)(3)(ii).

[507] Thus, used property must be purchased in an arm's length transaction. The property must not be acquired (i) from a member of the taxpayer's family, including a spouse, ancestors, and lineal descendants, or from another related entity as defined in section 267; (ii) from a person who controls, is controlled by, or is under common control with, the taxpayer; nor (iii) in a nontaxable exchange such as a reorganization. The property must not be received as a gift or from a decedent. In the case of trade-ins, like-kind exchanges, or involuntary conversions, bonus depreciation applies only to any money paid in addition to the traded-in property or in excess of the adjusted basis of the replaced property. See sec. 179(d)(2)(A)–(C) and (3); Treas. Reg. secs. 1.168(k)–2(b)(3)(iii) and 1.179–4(c) and (d). A special rule applies in the case of a syndication transaction. See sec. 168(k)(2)(E)(iii); Treas. Reg. sec. 1.168(k)–2(b)(3)(vi).

[508] A qualified production is considered placed in service, and thus eligible for the bonus depreciation allowance, at the time of initial release, broadcast, or live staged performance. Sec. 168(k)(2)(H); Treas. Reg. sec. 1.168(k)–2(b)(4)(iii).

[509] See sec. 168(g) (determined without regard to an election to use ADS under section 168(g)(7)). See also Treas. Reg. sec. 1.168(k)–2(b)(2)(ii)(B). ADS is required to be used for tangible property used predominantly outside the United States, certain tax-exempt use property, tax-exempt bond financed property, certain imported property covered by an Executive order, and certain property held by either a real property trade or business or a farming business electing out of the business interest limitation under section 163(j). In addition, an election to use ADS is available to taxpayers for any class of property for any taxable year. Under ADS, all property is depreciated using the straight line method and the applicable convention over recovery periods which generally are equal to the class life of the property, with certain exceptions.

[510] Sec. 168(k)(2)(D). For a description of section 280F, see Joint Committee on Taxation, *General Explanation of Public Law No. 115–97* (JCS–1–18), December 2018, pp. 128–130. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[511] Sec. 168(k)(2)(B)(i)(II) and (III).

[512] Sec. 168(k)(2)(E)(i).

[513] Sec. 168(k)(2)(B)(ii). See also Treas. Reg. sec. 1.168(k)–2(e)(1)(iii).

Exception for certain businesses not subject to the limitation on interest expense

Qualified property eligible for the bonus depreciation deduction does not include any property which is primarily used in the trade or business of the furnishing or sale of (1) electrical energy, water, or sewage disposal services, (2) gas or steam through a local distribution system, or (3) transportation of gas or steam by pipeline, if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, by a public service or public utility commission or other similar body of any State or political subdivision thereof, or by the governing or ratemaking body of an electric cooperative.[514]

Qualified property also does not include any property used in a trade or business that has had floor plan financing indebtedness[515] if the floor plan financing interest related to the indebtedness was taken into account to increase the taxpayer's section 163(j) interest limitation under section 163(j)(1)(C).[516]

Special rules

Passenger automobiles

The limitation under section 280F on the amount of depreciation deductions allowed with respect to certain passenger automobiles is increased in the first year by $8,000 for automobiles that qualify for (and for which the taxpayer does not elect out of) bonus depreciation.[517] While the underlying section 280F limitation is indexed for inflation,[518] the section 280F increase amount is not indexed for inflation.

Certain plants bearing fruits and nuts

A farming business[519] is allowed a special election in respect of certain costs of planting or grafting certain plants bearing fruits and nuts.[520] Under the election, the applicable percentage of the adjusted basis of a specified plant which is planted or grafted after September 27, 2017, and before January 1, 2027, is deductible for regular tax and alternative minimum tax purposes in the year planted or grafted by the taxpayer in the ordinary course of the taxpayer's farming business (rather than in the year the specified plant is placed in service by the taxpayer[521]), and the adjusted

[514] Secs. 168(k)(9)(A) and 163(j)(7)(A)(iv). See also Treas. Reg. sec. 1.168(k)–2(b)(2)(ii)(F).
[515] As defined in sec. 163(j)(9).
[516] Sec. 168(k)(9)(B). See also Treas. Reg. sec. 1.168(k)–2(b)(2)(ii)(G).
[517] Sec. 168(k)(2)(F). See Rev. Proc. 2019–13, 2019–09 I.R.B. 744, for a safe harbor method of accounting for determining depreciation deductions for passenger automobiles that qualify for bonus depreciation and are subject to the section 280F depreciation limitations.
[518] Sec. 280F(d)(7). See Rev. Proc. 2025–16, 2025–11 I.R.B. 1100, for the section 280F limitations that apply to passenger automobiles placed in service during calendar year 2025.
[519] For this purpose, the term "farming business" means the trade or business of farming, including the trade or business of operating a nursery or sod farm, the raising or harvesting of trees bearing fruit, nuts, or other crops, or ornamental trees (other than evergreen trees that are more than six years old at the time they are severed from their roots). Sec. 263A(e)(4).
[520] Sec. 168(k)(5). Treas. Reg. sec. 1.168(k)–2(f)(2) provides the procedures for making a section 168(k)(5) election.
[521] In the case of any tree or vine bearing fruits or nuts, the placed in service date generally does not occur until the tree or vine first reaches an income-producing stage. See Treas. Reg.

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basis is reduced by the amount of the deduction.[522] The applicable percentage is 100 percent for specified plants planted or grafted after September 27, 2017, and before January 1, 2023, and then is phased down by 20 percentage points per calendar year beginning in 2023.[523] Thus, the applicable percentage is 80 percent for 2023, 60 percent for 2024, 40 percent for 2025, and 20 percent for 2026.

A specified plant is (i) any tree or vine that bears fruits or nuts, and (ii) any other plant that will have more than one crop or yield of fruits or nuts and which generally has a pre-productive period of more than two years from the time of planting or grafting to the time it begins bearing a marketable crop or yield of fruits or nuts.[524] A specified plant does not include any property that is planted or grafted outside of the United States. If the election is made with respect to any specified plant, the plant is not treated as qualified property eligible for bonus depreciation in the subsequent taxable year in which it is placed in service.[525] Once made, the election is revocable only with the consent of the Secretary.[526]

Long-term contracts—percentage-of-completion method

In general, in the case of a long-term contract, the taxable income from the contract is determined under the percentage-of-completion method.[527] Solely for purposes of determining the percentage of completion under section 460(b)(1)(A), the cost of qualified property with a MACRS recovery period of seven years or less is taken into account as a cost allocated to the contract as if bonus depreciation had not been enacted for property placed in service before January 1, 2027 (January 1, 2028, in the case of longer production period property).[528]

REASONS FOR CHANGE

The Committee believes that restoring 100 percent expensing for qualified property and specified plants will result in capital investment, modernization, productivity, and economic growth. The Committee also believes that 100 percent expensing promotes neutrality between business investment and other business expenses and helps reduce tax disadvantages faced by capital intensive businesses.

EXPLANATION OF PROVISION

The provision extends and modifies the additional first-year depreciation deduction through 2029 (through 2030 for longer production period property and certain aircraft). The allowance is increased to 100 percent for property acquired and placed in service after January 19, 2025, and before January 1, 2030 (January 1,

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sec. 1.46–3(d)(2). See also Rev. Rul. 80–25, 1980–1 C.B. 65; and Rev. Rul. 69–249, 1969–1 C.B. 31.

[522] Any amount deducted under this election is not subject to capitalization under section 263A. Sec. 263A(c)(7).

[523] Sec. 168(k)(6)(C).

[524] Sec. 168(k)(5)(B).

[525] Sec. 168(k)(5)(D). However, when placed in service, the remaining adjusted basis of the specified plant may be eligible for expensing under section 179.

[526] Sec. 168(k)(5)(C). See also Treas. Reg. sec. 1.168(k)–2(f)(5).

[527] Sec. 460.

[528] Sec. 460(c)(6).

2031, for longer production period property and certain aircraft),[529] as well as for specified plants planted or grafted after January 19, 2025, and before January 1, 2030.

The provision makes permanent the rules under the percentage-of-completion method for the allocation of bonus depreciation to a long-term contract.

EFFECTIVE DATE

The provision generally applies to property acquired[530] and placed in service after January 19, 2025, and to specified plants planted or grafted after such date.

DEDUCTION OF DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES (SEC. 111002 OF THE BILL AND SEC. 174 AND NEW SEC. 174A OF THE CODE)

PRESENT LAW

For taxable years beginning after December 31, 2021, taxpayers must capitalize and amortize specified research or experimental expenditures ratably over a five-year period (or, in the case of expenditures attributable to research that is conducted outside of the United States, over a 15-year period),[531] beginning with the midpoint of the taxable year in which those costs are paid or incurred.[532] Specified research or experimental expenditures are research or experimental expenditures paid or incurred in connection with a taxpayer's trade or business.[533]

Research or experimental expenditures generally include all costs incurred in the experimental or laboratory sense incident to developing or improving a product,[534] including software.[535] Qualifying experimental or laboratory activities are those intended to discover information that eliminates uncertainty concerning product development or improvement.[536] Uncertainty exists when information available to the taxpayer is insufficient to ascertain the capability or method for developing, improving, or appropriately designing the product.[537]

Whether expenditures qualify as research depends on the nature of the activity to which the costs relate, not the nature of the product or improvement or the level of technological advancement.[538] The ultimate success, failure, sale, or other use of research or prop-

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[529] One-hundred percent bonus depreciation applies to the adjusted basis attributable to manufacture, construction, or production before January 1, 2030, and the remaining adjusted basis does not qualify for bonus depreciation.

[530] Property is treated as acquired not after the date on which a written binding contract is entered into for such acquisition. See Treas. Reg. sec. 1.168(k)–2(b)(5).

[531] For this purpose, the term "United States" includes the United States, the Commonwealth of Puerto Rico, and any possession of the United States. Sec. 174(a)(2)(B), by reference to sec. 41(d)(4)(F).

[532] Sec. 174(a)(2)(B).

[533] Sec. 174(b).

[534] Treas. Reg. sec. 1.174–2(a)(1) and (2). Product is defined to include any pilot model, process, formula, invention, technique, patent, or similar property, and includes products to be used by the taxpayer in its trade or business as well as products to be held for sale, lease, or license. Treas. Reg. sec. 1.174–2(a)(11), Example 10, provides an example of new process development costs for which the cost recovery rules of section 174 apply.

[535] Sec. 174(c)(3).

[536] Treas. Reg. sec. 1.174–2(a)(1).

[537] *Ibid.*

[538] *Ibid.*

erty is irrelevant.[539] Examples of qualifying costs include salaries for those engaged in research or experimentation efforts, overhead incurred to operate and maintain research facilities (*e.g.*, utilities, depreciation, and rent), and materials and supplies used and consumed in the course of research or experimentation (including amounts incurred in conducting trials).[540]

Research or experimental expenditures exclude expenditures for (1) quality control testing;[541] (2) efficiency surveys; (3) management studies; (4) consumer surveys; (5) advertising or promotions; (6) the acquisition of another's patent, model, production, or process; or (7) research in connection with literary, historical, or similar projects.[542] Also excluded are expenditures incurred to acquire or improve land, for depreciable or depletable property used in connection with the research or experimentation,[543] and exploration expenditures incurred for ore or other minerals (including oil and gas).[544]

In the case of retired, abandoned, or disposed property with respect to which specified research or experimental expenditures are paid or incurred, any remaining basis may not be recovered in the year of retirement, abandonment, or disposal, but instead must continue to be amortized over the remaining recovery period.[545]

If a taxpayer's research credit under section 41 exceeds the amount allowed as a deduction under section 174 for that taxable year, the taxpayer must reduce the amount chargeable to capital account by that excess amount.[546] A taxpayer may instead elect to claim a reduced research credit amount under section 41.[547] Under this election, the research credit is reduced by an amount equal to the amount of the credit multiplied by the highest corporate tax rate.[548]

Research or experimental expenditures under section 174 are not required to be capitalized under either section 263(a)[549] or section 263A.[550]

REASONS FOR CHANGE

The Committee recognizes that immediate expensing of domestic research or experimental expenditures, including software development costs, improves cash flow for critical domestic research and development. Forcing businesses to capitalize and amortize these expenditures erodes their value, increases the cost of important research, and inhibits innovation and investment by a broad spectrum of industries.

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[539] *Ibid.*

[540] See Treas. Reg. sec. 1.174–4(c). The definition of research or experimental expenditures also includes the costs to obtain a patent such as attorneys' fees incurred to make and perfect a patent application. Treas. Reg. sec. 1.174–2(a)(1).

[541] Quality control testing means testing to determine whether units of materials or products conform to specified parameters but does not include testing to determine if the design of the product is appropriate. Treas. Reg. sec. 1.174–2(a)(7).

[542] Treas. Reg. sec. 1.174–2(a)(6).

[543] Sec. 174(c)(3). However, depreciation and depletion allowances may be considered section 174 expenditures. *Ibid.*

[544] Sec. 174(c)(2).

[545] Sec. 174(d).

[546] Sec. 280C(c)(1).

[547] Sec. 280C(c)(2)(A).

[548] Sec. 280C(c)(2)(B).

[549] Sec. 263(a)(1)(B).

[550] Sec. 263A(c)(2).

The Committee believes that allowing businesses to immediately deduct wages, supplies, and equipment attributable to research performed in the United States and U.S. territories will enable them to expand domestic research programs. Lowering the cost of domestic research will also incentivize multinationals to onshore research activities back to the United States.

EXPLANATION OF PROVISION

The provision suspends required capitalization of domestic research or experimental expenditures for amounts paid or incurred in taxable years beginning after December 31, 2024, and before January 1, 2030. Under the provision, taxpayers may (1) deduct domestic research or experimental expenditures,[551] (2) elect to capitalize and recover domestic research or experimental expenditures ratably over the useful life of the research (but in no case less than 60 months)[552] beginning with the midpoint of the taxable year in which such expenditures are paid or incurred, or (3) elect to capitalize and recover domestic research or experimental expenditures over 10 years beginning with the taxable year of the expenditure.[553] Taxpayers must continue to capitalize and amortize foreign research or experimental expenditures over 15 years[554] beginning with the midpoint of the taxable year in which they pay or incur the expenditures.

Taxpayers may recover domestic capitalized research or experimental expenditures upon the disposition, retirement, or abandonment with respect to which such expenditures are paid or incurred. However, taxpayers may not recover foreign capitalized research or experimental expenditures, either as a deduction or a reduction to the amount realized for any property disposed, retired, or abandoned after the date of introduction (i.e., May 12, 2025).[555]

The provision requires taxpayers to reduce their domestic research or experimental expenditures (whether expensed or capitalized) by the amount of the research credit allowed under section 41 for taxable years beginning after December 31, 2024, and before January 1, 2030.[556] Similar to current law, taxpayers may instead elect to claim a reduced section 41 research credit.

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[551] The provision defines "domestic research or experimental expenditures" as research or experimental expenditures paid or incurred by the taxpayer in connection with its trade or business that are not attributable to foreign research as defined by section 41(d)(4)(F) (*i.e.*, any research conducted outside the United States, the Commonwealth of Puerto Rico, or any possession of the United States).

[552] The election does not apply to property subject to the depreciation allowance under section 167 or depletion under section 611.

[553] Taxpayer may only recover domestic research or experimental expenditures charged to capital account under the rules of proposed section 174A(c) or section 59(e)(2). After the provision terminates, taxpayers will be required to capitalize domestic research or experimental expenditures and recover them over five years beginning with the midpoint of the taxable year in which such expenditures are paid or incurred under section 174(a)(2).

[554] The provision clarifies that taxpayers must recover both domestic and foreign research or experimental expenditures over 10 years for alternative minimum tax purposes under section 56(b)(2).

[555] The modification to the disposition rule in section 174(d) is permanent.

[556] Assume that a taxpayer (1) elects to capitalize and amortize $1,000 of domestic research or experimental expenditures and (2) claims a $100 section 41 research credit. Absent an election under proposed section 280C(c)(2), the taxpayer must reduce the amount it charges to capital account to $900 ($1,000 less $100 credit). Similarly, a taxpayer that opts to expense domestic research or experimental expenditures must reduce the amount it expenses to $900 ($1,000 less $100 credit).

The provision treats the requirement to capitalize and amortize research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2029 (*i.e.*, after the temporary provision terminates), as an automatic accounting method change on a cutoff basis (*i.e.*, no section 481(a) catch-up adjustment).

EFFECTIVE DATE

The provision is generally effective for amounts paid or incurred in taxable years beginning after December 31, 2024, and before January 1, 2030. The conforming amendments, apart from the change to section 280C(c), are permanent.

A transition rule requires taxpayers to adopt the changes to domestic research or experimental expenditures as an automatic accounting method change on a cutoff basis for taxable years beginning after December 31, 2024. The provision authorizes the Secretary to prescribe rules for short taxable years that begin after December 31, 2024, and end before the date of enactment.

MODIFIED CALCULATION OF ADJUSTED TAXABLE INCOME FOR PURPOSES OF BUSINESS INTEREST DEDUCTION (SEC. 111003 OF THE BILL AND SEC. 163(j) OF THE CODE)

PRESENT LAW

Limitation on deduction of business interest expense

Interest paid or accrued by a business generally is deductible in the computation of taxable income, subject to a number of limitations.[557] The deduction for business interest expense[558] is generally limited to the sum of (1) business interest income of the taxpayer for the taxable year,[559] (2) 30 percent of the adjusted taxable income of the taxpayer for the taxable year (not less than zero), and (3) the floor plan financing interest[560] of the taxpayer for the

[557] Sec. 163(a). Interest deductions limitations that are not described in this document include: denial of the deduction for the disqualified portion of the original issue discount on an applicable high yield discount obligation (sec. 163(e)(5)), denial of deduction for interest on certain obligations not in registered form (sec. 163(f)), reduction of the deduction for interest on indebtedness with respect to which a mortgage credit certificate has been issued under section 25 (sec. 163(g)), disallowance of deduction for interest on debt with respect to certain life insurance contracts (sec. 264(a)), and disallowance of deduction for interest relating to tax-exempt income (sec. 265(a)(2)). In some circumstances, interest expense is required to be capitalized. See, *e.g.*, secs. 263A(f) (capitalization of interest incurred to produce certain tangible property) and 263(g) (capitalization of certain interest and carrying costs in the case of straddles). Section 385 also recharacterizes as equity some instruments that are purported to be indebtedness with the results that payments on the interest are treated as nondeductible dividends rather than deductible interest.

[558] Business interest means any interest paid or accrued on indebtedness properly allocable to a trade or business and does not include investment interest (within the meaning of section 163(d)). Sec. 163(j)(5). Section 163(j) applies only to business interest that would otherwise be deductible in the current taxable year, absent the application of section 163(j). Treas. Reg. sec. 1.163(j)–3(b)(1). Thus, section 163(j) applies after the application of provisions that subject interest to deferral, capitalization, or other limitation (e.g., sections 163(e)(3), 163(e)(5)(A)(ii), 246A, 263A, 263(g), 267, 1277, and 1282), but before application of sections 461(l), 465, and 469. See Treas. Reg. sec. 1.163(j)–3(b)(2)–(6).

[559] Business interest income means the amount of interest includible in the gross income of the taxpayer for the taxable year that is properly allocable to a trade or business and does not include investment income (within the meaning of section 163(d)). Sec. 163(j)(6).

[560] Floor plan financing interest means interest paid or accrued on floor plan financing indebtedness. Floor plan financing indebtedness means indebtedness used to finance the acquisition of motor vehicles held for sale or lease to retail customers and secured by the inventory so acquired. A motor vehicle means a motor vehicle that is: (1) any self-propelled vehicle designed for transporting person or property on a public street, highway, or road; (2) a boat; or (3) farm machinery or equipment. Sec. 163(j)(9).

taxable year.[561] Thus, other than floor plan financing interest, business interest expense in excess of business interest income is generally deductible only to the extent of 30 percent of adjusted taxable income.[562]

The limitation generally applies at the taxpayer level (although special rules apply in the case of partnerships, described below). In the case of a group of affiliated corporations that file a consolidated return, the limitation applies at the consolidated tax return filing level.[563] The amount of any business interest expense not allowed as a deduction for any taxable year is generally treated as business interest expense paid or accrued by the taxpayer in the succeeding taxable year. This business interest expense may be carried forward indefinitely.[564]

Application to passthrough entities

In general

In the case of a partnership, the section 163(j) interest limitation is generally applied at the partnership level.[565] A partner generally must apply section 163(j) separately to any business interest expense it incurs. To prevent double counting, the business interest income and adjusted taxable income of each partner are generally determined without regard to the partner's distributive share of any items of income, gain, deduction, or loss of the partnership.[566] However, in cases in which the partnership has an excess amount of business interest income, an excess amount of adjusted taxable income, or both, section 163(j) partnership items generally may support additional business interest expense deductions by the partnership's partners. Specifically, a partner's business interest deduction limitation is increased by the sum of the partner's distributive share of the partnership's excess business interest income and 30 percent of the partner's distributive share of the partnership's excess taxable income.[567]

Similar rules apply to an S corporation and its shareholders.[568]

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[561] These rules were modified for taxable years beginning in 2019 or 2020 to permit certain taxpayers to deduct more business interest than would be allowed under the rules described herein. See sec. 163(j)(10).

[562] The business interest limitation does not apply in certain cases. The business interest limitation does not apply to any taxpayer (other than a tax shelter prohibited from using the cash method under section 448(a)(3)) that meets the $25 million gross receipts test of section 448(c). At a taxpayer's election, (1) any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business (referred to as an "electing real property trade or business") or (2) any farming business or any business engaged in the trade or business of a specified agricultural or horticultural cooperative (referred to as an "electing farming business") is not treated as a trade or business for purposes of the limitation. The limitation does not apply to certain regulated public utilities. See sec. 163(j)(7).

[563] See Treas. Reg. sec. 1.163(j)–4(d) (providing that a consolidated group has a single sec. 163(j) limitation and generally treating all members of the consolidated group as a single taxpayer for sec. 163(j) purposes).

[564] Sec. 163(j)(2). With respect to corporations, any carryforward of disallowed business interest of a corporation is an item taken into account in the case of certain corporate acquisitions described in section 381 and is subject to limitation under section 382. Secs. 381(c)(20) and 382(d)(3).

[565] Sec. 163(j)(4)(A)(i).

[566] Sec. 163(j)(4)(A)(ii)(I); Treas. Reg. sec. 1.163(j)–6(e)(1).

[567] Sec. 163(j)(4)(A)(ii)(II); Treas. Reg. sec. 1.163(j)–6(e)(1).

[568] Sec. 163(j)(4)(D).

Carryforward rules for partnerships

Special rules for the carryforward of disallowed business interest expense apply only to partnerships and their partners.[569] In the case of a partnership, the general taxpayer-level carryforward rule does not apply. Instead, any business interest expense that is not allowed as a deduction to the partnership for the taxable year (referred to as "excess business interest expense") is allocated to the partners.[570] A partner may not deduct excess business interest expense in the year in which it is allocated to a partner. A partner may deduct its share of the partnership's excess business interest expense in any future year, but only in an amount that is based on the partner's distributive share of excess business interest income and excess taxable income of the partnership the activities of which gave rise to the disallowed business interest expense carryforward.[571] Any amount that is not allowed as a deduction generally continues to be carried forward.[572]

When excess business interest expense is allocated to a partner, the partner's basis in its partnership interest is reduced (but not below zero) by the amount of the allocation, even though the excess business interest expense does not give rise to a deduction in the year of the basis reduction.[573] The partner's deduction in a subsequent year for excess business interest expense does not reduce the partner's basis in its partnership interest. If the partner disposes of a partnership interest the basis of which has been reduced by an allocation of excess business interest expense, the partner's basis in the interest is increased immediately before the disposition by the amount by which the basis reduction exceeds any amount of excess business interest expense that has been treated as business interest expense paid or accrued by the partner as a result of an allocation of excess business interest income or excess taxable income by the same partnership.[574] This rule applies to both total and (on a proportionate basis) partial dispositions of a partnership interest.[575]

The special carryforward rules do not apply to S corporations or their shareholders.[576] Rather, any disallowed business interest expense is carried forward by the S corporation (as opposed to the shareholder) to the succeeding taxable year.[577]

Adjusted taxable income

For purposes of the section 163(j) interest limitation, adjusted taxable income means the taxable income of the taxpayer computed without regard to: (1) any item of income, gain, deduction, or loss

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[569] Sec. 163(j)(4)(B).
[570] Sec. 163(j)(4)(B)(i)(II).
[571] Sec. 163(j)(4)(B)(ii)(I); Treas. Reg. sec. 1.163(j)–6(g)(2). See also Joint Committee on Taxation, *General Explanation of Public Law 115–97* (JCS–1–18), December 2018, pp. 175–178 (describing section 163(j)(4) as it was intended to work).
[572] Sec. 163(j)(4)(B)(ii)(II).
[573] Sec. 163(j)(4)(B)(iii)(I); Treas. Reg. sec. 1.163(j)–6(h)(2).
[574] Sec. 163(j)(4)(B)(iii)(II); Treas. Reg. sec. 1.163(j)–6(h)(3). The special rule for dispositions also applies to transfers of a partnership interest (including by reason of death) in transactions in which gain is not recognized in whole or in part. *Id.* No deduction is allowed to the transferor or transferee for any disallowed business interest resulting in a basis increase under this rule. *Id.*
[575] *Ibid.*
[576] Sec. 163(j)(4)(D).
[577] Treas. Reg. sec. 1.163(j)–6(l)(5).

that is not properly allocable to a trade or business; (2) any business interest or business interest income; (3) the amount of any net operating loss deduction; or (4) the amount of any deduction allowed under section 199A.

For taxable years beginning before January 1, 2022, adjusted taxable income also is computed without regard to any deduction allowable for depreciation, amortization, or depletion.[578] This definition of adjusted taxable income generally corresponds with the financial accounting concept of earnings before interest, taxes, depreciation, and amortization, or "EBITDA" (hereinafter referred to as the "EBITDA limitation").

For taxable years beginning after December 31, 2021, adjusted taxable income is computed to include deductions allowable for depreciation, amortization, or depletion. This definition of adjusted taxable income generally corresponds with the financial accounting concept of earnings before interest and taxes, or "EBIT."

REASONS FOR CHANGE

The Committee understands that a combination of high interest rates and restrictions on interest deductions under current law curtails business investment and growth. The EBIT limitation imposes a cost on investment that impairs the ability of businesses to finance new equipment, machinery, and structures and expand operations. The Committee believes that reinstating the EBITDA limitation will alleviate this burden on businesses and reduce barriers to domestic investment.

The Committee understands that certain RV trailers are excluded from the definition of "motor vehicles" for purposes of the floor plan financing exception. The Committee believes that this exclusion was inadvertent and has created higher tax burdens and increased complexity for RV dealers.

EXPLANATION OF PROVISION

The provision reinstates the EBITDA limitation under section 163(j) for taxable years beginning after December 31, 2024, and before January 1, 2030. Therefore, for purposes of the section 163(j) interest deduction limitation for these years, adjusted taxable income is computed without regard to the deduction for depreciation, amortization, or depletion.

The provision also modifies the definition of "motor vehicle," for purposes of the floor plan financing interest and floor plan financing indebtedness definitions, to include any trailer or camper which is designed to provide temporary living quarters for recreational, camping, or seasonal use and is designed to be towed by, or affixed to, a motor vehicle.

The provision allows the Secretary of Treasury to provide such rules as are necessary or appropriate to provide for the application of the provision for taxable years of less than 12 months that begin after the effective date and end before the date of enactment.

[578] Sec. 163(j)(8)(A). Treasury regulations provide other adjustments to the definition of adjusted taxable income. Sec. 163(j)(8)(B); Treas. Reg. sec. 1.163(j)–1(b)(1).

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2024. The Secretary of Treasury may provide such rules as are necessary or appropriate to provide for the application of the provision for taxable years of less than 12 months that begin after December 31, 2024, and end before the date of enactment.

EXTENSION OF DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME (SEC. 111004 OF THE BILL AND SEC. 250 OF THE CODE)

PRESENT LAW

Global intangible low-taxed income ("GILTI")

A U.S. shareholder of a controlled foreign corporation ("CFC")[579] must include in gross income its GILTI. GILTI is the excess of the shareholder's net CFC tested income over the shareholder's net deemed tangible income return. The shareholder's net deemed tangible income return equals the excess of 10 percent of the aggregate of its pro rata share of the qualified business asset investment ("QBAI") of each CFC over certain interest expense.

The formula for GILTI is:

GILTI = Net CFC Tested Income − [(10% × QBAI) − Interest Expense]

Net CFC tested income

Net CFC tested income means the excess of the aggregate of a U.S. shareholder's pro rata share of the tested income of each CFC over the aggregate of its pro rata share of the tested loss of each CFC.[580] In other words, GILTI is calculated on a worldwide basis.

The tested income of a CFC is the excess of the gross income of the CFC determined without regard to certain amounts that are exceptions to tested income (referred to in this document as "gross tested income") over deductions (including taxes) properly allocable to such gross tested income. The exceptions to tested income are: (1) any effectively connected income described in section 952(b); (2) any gross income taken into account in determining the CFC's subpart F income;[581] (3) any gross income excluded from foreign base company income or insurance income by reason of the high-tax exception under section 954(b)(4);[582] (4) any dividend received from

[579] U.S. shareholders are U.S. persons that own at least 10 percent (measured by vote or value) of the stock of a foreign corporation. A CFC generally is any foreign corporation in which U.S. shareholders own (directly, indirectly, or constructively) more than 50 percent of the corporation's stock (measured by vote or value). See secs. 951(b), 957, 958.

[580] Sec. 951A(c)(1). Pro rata shares are determined under subpart F principles (*i.e.*, the rules of section 951(a)(2) and the regulations thereunder).

[581] Earnings of a CFC may constitute income to U.S. shareholders under the traditional anti-deferral regime of subpart F of the Code, which applies to certain passive income and certain other related-party income that is readily movable from one jurisdiction to another. Subpart F income is taxed at full rates with related foreign income taxes generally eligible for the foreign tax credit.

[582] In general, if a taxpayer so elects, subpart F income and tested income for purposes of determining GILTI inclusions exclude any item of income if the taxpayer establishes that the income was subject to an effective foreign income tax rate greater than 90 percent of the maximum U.S. corporate income tax rate (*i.e.*, currently greater than 90 percent of 21 percent, or 18.9 percent). See sec. 954(b)(4) and Treas. Reg. secs. 1.954–1(d) and 1.951A–2(c)(7).

a related person (as defined in section 954(d)(3)); and (5) any foreign oil and gas extraction income (as defined in section 907(c)(1)).

The tested loss of a CFC means the excess of deductions (including taxes) properly allocable to the CFC's gross tested income over the amount of such gross tested income.

Qualified business asset investment

QBAI means, with respect to any CFC for a taxable year, the average of the aggregate of the CFC's adjusted basis in specified tangible property that is both used in its trade or business and of a type with respect to which a deduction is generally allowable under section 167.[583]

Specified tangible property means any property used in the production of tested income.[584]

Preferential rate on GILTI

A preferential rate on GILTI is achieved by allowing corporations a deduction equal to 50 percent[585] of their GILTI (including the corresponding section 78 gross-up amount).[586] For taxable years beginning after December 31, 2025, the deduction for GILTI is reduced to 37.5 percent.[587]

Basis adjustments

A U.S. shareholder's basis in the stock of a CFC (and basis in property by reason of which the U.S. shareholder is treated as owning stock of the CFC) is increased by the amount of the shareholder's subpart F and GILTI inclusions in respect of the CFC stock (but not any section 78 gross-up amounts). The basis in the stock is decreased by the amount of any distributions received from the CFC that are excluded from the shareholder's income as previously taxed income and, for purposes of determining the amount of loss on a disposition of the stock of the CFC, the amount of any dividends-received deductions ("DRDs") under section 245A (unless the basis was already reduced for any such DRD under section 1059).[588]

Foreign tax credit

Subject to certain limitations, U.S. citizens or resident individuals, as well as domestic corporations, are allowed a credit for foreign income taxes paid. In addition, a domestic corporation is allowed a credit for foreign income taxes paid by a CFC with respect to income included by the corporation as subpart F income and

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[583] Sec. 951A(d)(1).

[584] Sec. 951A(d)(2). Specified tangible property does not include property used in the production of tested loss; thus, a CFC with a tested loss in a taxable year does not have QBAI for such taxable year.

[585] In other words, for taxable years beginning before January 1, 2026, the effective U.S. tax rate (*i.e.*, taking into account the effect of the deduction) on GILTI is 10.5 percent.

[586] Sec. 250(a)(1)(B). Under section 78, a taxpayer claiming the foreign tax credit with respect to foreign-source income generally must include in income the amount of the related foreign taxes paid.

[587] Sec. 250(a)(3)(B). For taxable years beginning after December 31, 2025, the effective U.S. tax rate on GILTI rises to 13.125 percent.

[588] Secs. 951A(f)(1)(A), 961(a), (b), and (d). Similar rules apply to dividends and deemed dividends from lower-tier CFCs. See secs. 961(c) and 964(e)(4).

GILTI; such taxes are deemed to have been paid by the domestic corporation for purposes of calculating the foreign tax credit.[589]

The foreign tax credit generally is limited to a taxpayer's U.S. tax liability on its foreign- source taxable income. The limit is intended to ensure that the credit mitigates double taxation of foreign-source income without offsetting U.S. tax on U.S.-source income.[590] Generally, the limit is computed by multiplying a taxpayer's total pre-credit U.S. tax liability for the year by the ratio of the taxpayer's foreign-source taxable income for the year to the taxpayer's total taxable income for the year.[591] This limitation is applied separately to different categories of foreign-source income (as discussed below). If the total amount of foreign income taxes paid and deemed paid for the year exceeds the taxpayer's foreign tax credit limitation for the year, the taxpayer may (in certain cases) carry back the excess foreign taxes to the previous year or carry forward to any of the succeeding 10 years.[592] No carryback or carryover of excess foreign tax credits are allowed in the GILTI foreign tax credit limitation category (as discussed below).

Deemed-paid taxes

For any subpart F income included in the gross income of a domestic corporation, the corporation is deemed to have paid foreign taxes equal to the aggregate foreign income taxes paid or accrued with respect to such income by the CFC.[593]

For any GILTI included in the gross income of a domestic corporation, the corporation is deemed to have paid foreign taxes equal to 80 percent of the corporation's inclusion percentage multiplied by the aggregate foreign income taxes paid or accrued with respect to tested income (but not tested loss) by each CFC with respect to which the domestic corporation is a U.S. shareholder.[594]

Allocation and apportionment of expenses

To determine its foreign tax credit limitation, a taxpayer must first determine its taxable income from foreign sources by allocating and apportioning deductions between U.S.-source gross income and foreign-source gross income in each limitation category. In general, deductions are allocated and apportioned to the gross income to which the deductions factually relate.[595] However, subject to certain exceptions, deductions for interest expense, stewardship expenses, and research and experimental expenses, as well as certain other deductions, are apportioned based on certain ratios.[596] For example, interest expense is apportioned based on the ratio of the corporation's foreign or domestic (as applicable) assets to its worldwide assets.[597]

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[589] Secs. 901 and 960.
[590] Secs. 901 and 904.
[591] Sec. 904(a).
[592] Sec. 904(c).
[593] Sec. 960(a).
[594] Sec. 960(d)(1). The inclusion percentage means, with respect to any domestic corporation, the ratio of such corporation's GILTI divided by the aggregate amount of its pro rata share of the tested income (but not tested loss) of each CFC with respect to which it is a U.S. shareholder.
[595] Treas. Reg. sec. 1.861–8(b) and (c) and Temp. Treas. Reg. sec. 1.861–8T(c).
[596] Treas. Reg. sec. 1.861–8 through Temp. Treas. Reg. sec. 1.861–14T and Treas. Reg. sec. 1.861–17 set forth detailed rules relating to the allocation and apportionment of expenses.
[597] Sec. 864(e)(2).

Limitation categories ("baskets")

The foreign tax credit limitation is applied separately to GILTI, foreign branch income,[598] passive category income, and general category income.[599] For this purpose, GILTI and foreign branch income include only income that is not passive category income. Passive category income includes passive income, such as portfolio interest and dividend income, and certain other specified types of income.[600] Dividends (and subpart F inclusions), interest, rents, and royalties received by a U.S. shareholder from a CFC are assigned to the passive category to the extent the payments or inclusions are allocable to passive category income of the CFC.[601] Dividends received by a 10-percent corporate shareholder of a foreign corporation that is not a CFC are also categorized on a look-through basis.[602] All other income (i.e., income other than GILTI, foreign branch, and passive income) is in the general category. Passive income is treated as general category income if earned by a qualifying financial services entity or if highly taxed (*i.e.*, if the foreign tax rate is determined to exceed the highest tax rate specified in section 1 or 11, as applicable).[603]

Special rules apply to the allocation of income and losses from foreign and U.S. sources within each category of income.[604] Foreign losses from one category first offset foreign-source income from other categories. Any remaining overall foreign loss offsets U.S.-source income. The same principle applies to losses from U.S. sources. In subsequent years, any losses deducted against another category or source of income are recaptured. That is, an equal amount of income from the same category or source that generated a loss in a prior year is recharacterized as income from the other category or source against which the loss was deducted. Foreign-source income in a particular category may be fully recharacterized as income in another category, whereas only up to 50 percent of income from one source in any subsequent year may be recharacterized as income from the other source.

A taxpayer's ability to claim a foreign tax credit may be further limited by a matching rule that prevents the separation of creditable foreign taxes from the associated foreign income. Under this rule, a foreign tax generally is not taken into account for U.S. tax purposes, and thus no foreign tax credit is available with respect to that foreign tax, until the taxable year in which the related income is taken into account for U.S. tax purposes.[605]

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[598] Foreign branch income is defined for this purpose as "the business profits of [the U.S. taxpayer] which are attributable to 1 or more qualified business units (as defined in section 989(a)) in 1 or more foreign countries." Sec. 904(d)(2)(J).

[599] Sec. 904(d); Treas. Reg. sec. 1.904–4(a). The foreign tax credit limitation is also applied separately to certain additional separate categories. See Treas. Reg. sec. 1.904–4(m).

[600] Sec. 904(d)(2)(A)(i) and (B).

[601] Sec. 904(d)(3).

[602] Sec. 904(d)(4).

[603] Sec. 904(d)(2)(B).

[604] Sec. 904(f) and (g).

[605] Sec. 909.

Foreign-Derived Intangible Income ("FDII")

Domestic corporations generally are taxed at preferential rates on their foreign-derived intangible income ("FDII").[606] The preferential rate is achieved by allowing corporations a deduction equal to 37.5 percent of their FDII.[607] For taxable years beginning after December 31, 2025, the deduction for FDII is reduced to 21.875 percent.[608]

FDII is calculated by multiplying a corporation's "deemed intangible income" by the percentage of its "deduction eligible income" that is derived from serving foreign markets (i.e., "foreign-derived deduction eligible income").[609] A corporation's deemed intangible income equals the excess, if any, of its deduction eligible income over a 10-percent return on its qualified business asset investment ("QBAI").[610] The formula for FDII can be expressed as the following:

$$FDII = [Deduction\ Eligible\ Income - (10\% \times QBAI)] \times \frac{Foreign\ Derived\ Deduction\ Eligible\ Income}{Deduction\ Eligible\ Income}$$

For purposes of computing FDII, a domestic corporation's QBAI is the average of the aggregate of its adjusted basis, determined as of the close of each quarter of the taxable year, in specified tangible property[611] used in its trade or business and of a type with respect to which a deduction is allowable under section 167.[612] The adjusted basis in any property generally must be determined using the alternative depreciation system under section 168(g) as in effect on December 22, 2017.

Deduction eligible income and foreign-derived deduction eligible income

Deduction eligible income means, with respect to any domestic corporation, the excess (if any) of the gross income of the corporation determined without regard to certain amounts that are excluded from deduction eligible income over deductions (including taxes) properly allocable to such gross income.[613]

Foreign-derived deduction eligible income means, with respect to a taxpayer for its taxable year, any deduction eligible income of the taxpayer that is derived in connection with (1) property that is sold[614] by the taxpayer to any person who is not a U.S. person and

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[606] Sec. 250(a)(1)(A).

[607] Sec. 250(a)(1)(A). For taxable years beginning before January 1, 2026, the effective U.S. tax rate (*i.e.*, taking into account the effect of the deduction) on FDII is 13.125 percent.

[608] Sec. 250(a)(3)(A). For taxable years beginning after December 31, 2025, the effective U.S. tax rate on FDII is 16.406 percent.

[609] Sec. 250(b)(1).

[610] Sec. 250(b)(2). If the quantity in this formula is negative, deemed intangible income is zero.

[611] Specified tangible property means any tangible property used in the production of deduction eligible income. For this reason, the adjusted basis of tangible depreciable property held by a foreign branch generally is excluded from QBAI because foreign branch income is excluded from gross deduction eligible income.

[612] The definition of QBAI for purposes of computing FDII relies on the definition of QBAI for purposes of computing GILTI under section 951A(d), determined by substituting "deduction eligible income" for "tested income" in section 951A(d)(2) and without regard to whether the corporation is a controlled foreign corporation. Sec. 250(b)(2)(B).

[613] Sec. 250(b)(3)(A). The amounts excluded from deduction eligible income are: (1) subpart F income; (2) GILTI; (3) financial services income; (4) any dividend received from a CFC with respect to which the corporation is a U.S. shareholder; (5) any domestic oil and gas extraction income of the corporation; and (6) any foreign branch income.

[614] For purposes of determining FDII, the terms "sold," "sells," and "sale" include any lease, license, exchange, or other disposition. Sec. 250(b)(5)(E).

that the taxpayer establishes to the satisfaction of the Secretary is for a foreign use[615] or (2) services provided by the taxpayer that the taxpayer establishes to the satisfaction of the Secretary are provided to any person, or with respect to property, not located within the United States.[616]

Foreign use means any use, consumption, or disposition that is not within the United States.[617] Special rules for determining foreign use apply to transactions that involve property or services provided to domestic intermediaries or to certain related parties.[618]

Special rules apply with respect to property or services provided to domestic intermediaries[619] and with respect to certain related party transactions.[620]

Taxable income limitation on deduction for GILTI and FDII

If the sum of a domestic corporation's FDII and GILTI (including GILTI-attributable section 78 gross-up amounts) exceeds its taxable income determined without regard to this provision, then the amount of FDII and GILTI (including GILTI-attributable section 78 gross-up) for which a deduction is allowed is reduced (but not below zero) by an amount determined by such excess.[621]

REASONS FOR CHANGE

The Committee believes that the scheduled reductions in the corporate deduction percentages for GILTI and FDII are unnecessary and potentially harmful to the global competitiveness of U.S. multinational groups. Furthermore, the Committee believes that the permanence of the deduction percentages under the proposal offers these U.S. multinational groups the predictability necessary to encourage investment and innovation.

EXPLANATION OF PROVISION

The provision lowers the preferential rates on GILTI and FDII by increasing the deduction for corporations for taxable years beginning after December 31, 2025, from 37.5 percent to 50 percent of their GILTI (including the corresponding section 78 gross-up amount) and from 21.875 percent to 37.5 percent of their FDII.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

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[615] If property is sold by a taxpayer to a person who is not a U.S. person and after such sale the property is subject to manufacture, assembly, or other processing (including the incorporation of such property, as a component, into a second product by means of production, manufacture, or assembly) outside the United States by such person, then the property is for a foreign use.

[616] Sec. 250(b)(4).

[617] Sec. 250(b)(5)(A).

[618] Sec. 250(b)(5)(B) and (C).

[619] Sec. 250(b)(5)(B).

[620] Sec. 250(b)(5)(C).

[621] Sec. 250(a)(2).

EXTENSION OF BASE EROSION MINIMUM TAX AMOUNT (SEC. 111005 OF THE BILL AND SEC. 59A OF THE CODE)

PRESENT LAW

The base erosion and anti-abuse tax (the "BEAT") is an additional tax imposed on certain corporations that are members of a multinational group with respect to payments to foreign affiliates.[622]

The BEAT applies only to corporate taxpayers that are members of an aggregate group with average gross receipts in excess of $500 million and is determined, in part, by the extent to which a taxpayer has made payments to foreign related parties.[623] The BEAT generally does not apply to taxpayers that are members of an aggregate group for which reductions to taxable income ("base erosion tax benefits") arising from payments to foreign related parties ("base erosion payments") are less than three percent of total deductions (*i.e.*, a "base erosion percentage" of less than three percent).

For a taxpayer subject to the BEAT (an "applicable taxpayer"), the additional tax (the "base erosion minimum tax amount" or "BEAT liability") for the year generally equals the excess, if any, of 10 percent of its modified taxable income over an amount equal to its regular tax liability reduced (but not below zero) by the sum of a certain tax credits.[624]

Base erosion payments and base erosion tax benefits

A base erosion tax benefit generally reflects the reduction in taxable income arising from the associated base erosion payment.

A base erosion payment generally is any amount paid or accrued by a taxpayer to a foreign person that is a related party of the taxpayer and with respect to which a deduction is allowable.[625] A base erosion payment includes any amount paid or accrued by the taxpayer to a foreign related party in connection with the acquisition by the taxpayer from the related party of property of a character subject to the allowance for depreciation (or amortization in lieu of depreciation).[626]

Base erosion payments generally do not include any amount that constitutes a reduction in gross receipts, including payments for cost of goods sold. Certain other payments are excluded from the definition of base erosion payments, including certain payments for services[627] and qualified derivative payments.[628] A payment for a service by a U.S. corporation to a foreign related party is a base erosion payment, except to the extent that the services in question meet most requirements for the "services cost method"[629] of trans-

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[622] Sec. 59A.

[623] For this purpose, a related party is, with respect to the taxpayer, any 25-percent owner of the taxpayer; any person who is related (within the meaning of sections 267(b) or 707(b)(1)) to the taxpayer or any 25-percent owner of the taxpayer; and any other person who is related (within the meaning of section 482) to the taxpayer. Sec. 59A(g). The 25-percent ownership threshold is determined by vote or value.

[624] Sec. 59A(b).

[625] Sec. 59A(d)(1).

[626] Sec. 59A(d)(2).

[627] Sec. 59A(d)(5).

[628] Sec. 59A(h).

[629] Treas. Reg. sec. 1.482–9.

fer pricing and the payment does not include a markup component. In final regulations, the Secretary provided that a portion of a payment meeting these standards is not treated as a base erosion payment. Instead, only the portion of the outbound payment that exceeds actual costs incurred by the recipient of the payment (i.e., the markup component of the price charged) is a base erosion payment.[630]

The BEAT treats as a base erosion payment any reinsurance premium payment paid by a U.S. life insurance company or by a U.S. property and casualty insurance company to a related foreign reinsurer (*e.g.*, a U.S. insurer pays a reinsurance premium to a related foreign reinsurer to cover risk of storm damage in the United States).[631] It also may apply to payment by a U.S. reinsurer to a related foreign insurer on the occurrence of a covered event (*e.g.*, a U.S. reinsurer pays a related foreign insurer when a claim is made for earthquake damage in a foreign country). Such base erosion payments are not reduced for the receipt by the U.S. insurer of reinsurance recovered (*e.g.*, the related foreign reinsurer pays the U.S. insurer when a claim is made for storm damage in the United States), nor for the reinsurance premium paid by a foreign insurer to a related U.S. reinsurer (*e.g.*, the related foreign insurer pays the reinsurance premium to the U.S. reinsurer to cover earthquake risk in a foreign country).

Taxpayers are permitted to waive deductions and thus avoid the "base erosion tax benefits" of such deduction to reduce exposure to the BEAT. The Secretary adopted a rule permitting taxpayers to waive the right to deductions for payments otherwise within the scope of base erosion payments.[632] The waiver extends to insurance-related payments that were reductions from gross premiums and other consideration.

Calculation of BEAT liability

BEAT liability generally equals the excess, if any, of 10 percent of the taxpayer's modified taxable income over the amount of regular tax liability[633] reduced (but not below zero) by the sum of certain tax credits. The amount of regular tax liability is reduced (and the base erosion minimum tax amount increased) by all income tax credits except for the research credit[634] and a certain portion of applicable section 38 credits.[635] Modified taxable income is the taxpayer's regular taxable income increased by any base erosion tax benefit with respect to any base erosion payment and a portion of the taxpayer's NOL deduction, if any.[636]

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[630] Treas. Reg. sec. 1.59A–3(b)(3)(i).
[631] Secs. 59A(d)(3), 803(a)(1)(B), and 832(b)(4)(A).
[632] Treas. Reg. sec. 1.59A–3(c)(6).
[633] As defined in sec. 26(b).
[634] Sec. 41(a).
[635] Sec. 59A(b)(4). Applicable section 38 credits are credits allowed under section 38 for the taxable year that are properly allocable to the low-income housing credit (sec. 42(a)), the renewable energy production credit (sec. 45(a)), and the energy investment credit (sec. 48). In general, no more than 80 percent of the amount of applicable section 38 credits for a taxable year can be used to reduce an applicable taxpayer's base erosion minimum tax liability and in no case can applicable section 38 credits reduce the taxpayer's base erosion minimum tax liability by more than 80 percent. Sec. 59A(b)(1)(B)(ii)(II).
[636] Specifically, modified taxable income is increased by the base erosion percentage of any NOL deduction allowed under section 172 for such taxable year. Sec. 59A(c)(1).

Special rules for taxable years beginning after December 31, 2025

For taxable years beginning after December 31, 2025, the 10-percent rate on modified taxable income is increased to 12.5 percent and regular tax liability is reduced (and the base erosion minimum tax amount is therefore increased) by the sum of all the taxpayer's income tax credits for the taxable year.[637]

Special rules for banks and securities dealers

An applicable taxpayer that is a member of an affiliated group that includes a bank (as defined in section 581) or securities dealer registered under section 15(a) of the Securities Exchange Act of 1934 is subject to a tax rate on its modified taxable income that is one percentage point higher than the generally applicable tax rate.[638] In addition, for purposes of determining whether they are subject to the BEAT, banks and securities dealers are subject to a base erosion percentage threshold of two percent (rather than three percent).[639]

REASONS FOR CHANGE

The Committee believes that the scheduled changes to the BEAT rate are unnecessary and potentially harmful to the promotion of increased investment in the United States.

EXPLANATION OF PROVISION

Under the provision, the special rules of subsection 59A(b)(2), which would have increased the rate to 12.5 percent and reduced regular tax liability by all credits, are repealed. Other conforming amendments to reflect renumbering of certain paragraphs are also made.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

PART II—ADDITIONAL TAX RELIEF FOR RURAL AMERICA AND MAIN STREET

SPECIAL DEPRECIATION ALLOWANCE FOR QUALIFIED PRODUCTION PROPERTY (SEC. 111101 OF THE BILL AND SEC. 168 OF THE CODE)

PRESENT LAW

Real property

Recovery period and depreciation method

The applicable recovery period for an asset is determined in art by statute[640] and in part by historic Treasury guidance.[641] The

[637] Sec. 59A(b)(2).
[638] Sec. 59A(b)(3).
[639] Sec. 59A(e)(1)(C).
[640] See sec. 168(e) and (g).
[641] Exercising authority granted by Congress, the Secretary issued Rev. Proc. 87–56, 1987–2 C.B. 674, laying out the framework of recovery periods for enumerated classes of assets. The Secretary clarified and modified the list of asset classes in Rev. Proc. 88–22, 1988–1 C.B. 785.

"type of property" of an asset is used to determine the "class life" of the asset, which in turn dictates the applicable recovery period for the asset. The recovery periods for most real property are 39 years for nonresidential real property and 27.5 years for residential rental property.[642] The straight-line depreciation method is required for the aforementioned real property.[643]

For depreciation purposes, residential rental property is defined as a building or structure with respect to which 80 percent or more of the gross rental income is rental income from dwelling units.[644] The term "dwelling unit" means a house or apartment used to provide living accommodations, but does not include a unit in a hotel, motel or other establishment more than one-half of the units in which are used on a transient basis. If any portion of the building or structure is occupied by the taxpayer, the gross rental income from such property includes the rental value of the portion so occupied. Alternatively, the term "nonresidential real property" means section 1250 property that is not residential rental property or property with a class life of less than 27.5 years.[645]

Qualified improvement property

Qualified improvement property is any improvement made by the taxpayer to an interior portion of a building that is nonresidential real property if such improvement is placed in service by the taxpayer after the date such building was first placed in service by any taxpayer.[646] Qualified improvement property does not include any improvement for which the expenditure is attributable to the enlargement of the building, any elevator or escalator, or the internal structural framework of the building.[647] Qualified improvement property is generally depreciable using the straight line method,[648] half-year convention,[649] and a 15-year recovery period.[650] Improvements made to residential rental property do not meet the definition of qualified improvement property. Hence, the cost of an improvement to residential rental property is generally recovered over

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In November 1988, Congress revoked the Secretary's authority to modify the class lives of depreciable property. Rev. Proc. 87–56, as modified, remains in effect except to the extent that the Congress has, since 1988, statutorily modified the recovery period for certain depreciable assets, effectively superseding any administrative guidance regarding such property.

[642] Sec. 168(c).

[643] Sec. 168(b)(3)(A) and (B).

[644] Sec. 168(e)(2)(A).

[645] Sec. 168(e)(2)(B).

[646] Sec. 168(e)(6)(A).

[647] Sec. 168(e)(6)(B).

[648] Sec. 168(b)(3)(G).

[649] Sec. 168(d)(1). The half-year convention treats all property placed in service during any taxable year (or disposed of during any taxable year) as placed in service (or disposed of) on the mid-point of such taxable year. Sec. 168(d)(4)(A). However, if substantial property is placed in service during the last three months of a taxable year, a special rule requires use of the mid-quarter convention, which treats all property placed in service (or disposed of) during any quarter as placed in service (or disposed of) on the mid-point of such quarter. Sec. 168(d)(3) and (d)(4)(C). The mid-quarter convention does not apply to nonresidential real property or residential rental property; thus, such property is not taken into account in determining if the mid-quarter convention applies. Sec. 168(d)(3)(B); Treas. Reg. sec. 1.168(d)–1.

[650] Sec. 168(e)(3)(E)(vii). Note that as 15-year property, qualified improvement property is generally eligible for the additional first-year depreciation deduction under section 168(k) (this additional first-year depreciation is commonly referred to as "bonus depreciation"). Qualified improvement property is also eligible for section 179 expensing. See sec. 179(e)(1). Note that the amount of the bonus depreciation deduction is determined after basis adjustments for any section 179 expensing. See Treas. Reg. sec. 1.168(k)–1(a)(2)(iii). For a discussion of expensing under sections 168(k) and 179, see Joint Committee on Taxation, *Tax Incentives for Domestic Manufacturing* (JCX–8–24), March 18, 2024, pp. 7–14.

27.5 years using the straight-line method and mid-month convention.

Recapture rules

In general

Upon disposition of most depreciable or amortizable property used in a trade or business, the characterization of the resulting gain or loss as ordinary or capital depends on whether there is a net gain or a net loss under section 1231.[651] If there is a net gain, then, subject to the depreciation recapture rules, long-term capital gain treatment generally results.[652] If there is a net loss, the loss is fully deductible against ordinary income.[653]

The depreciation recapture rules require taxpayers to recognize ordinary income in an amount equal to all or a portion of the gain realized because of the disposition of property. In addition, sections 1245 and 1250 generally override various nonrecognition provisions in the Code.[654]

Section 1245

Depreciable personal property, whether tangible or intangible, and certain depreciable real property disposed of at a gain are subject to depreciation recapture under section 1245.[655] In addition to depreciation under section 167, the section 1245 recapture rules apply to other cost recovery provisions, including first-year expensing provisions.[656] For example, any deduction allowed under section 179 or 181 is treated as if it were a deduction allowable for amortization. Similarly, for recapture purposes, an amortizable section 197 intangible is considered section 1245 property and is subject to the section 1245 recapture rules.[657]

When a taxpayer disposes of section 1245 property, the taxpayer must recapture the gain on disposition of the property as ordinary income to the extent of earlier depreciation or amortization deductions taken with respect to the asset.[658] Any remaining gain recognized upon the sale of section 1245 property is generally treated as section 1231 gain.

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[651] Section 1231 applies to gains and losses on the sale, exchange, or involuntary conversion of certain assets used in the taxpayer's trade or business. These assets are not capital assets, as that term is generally defined in the Code (see sec. 1221(a)). The assets eligible for this treatment include depreciable property or real property held for more than one year and used in a trade or business (if not includible in inventory, held primarily for sale to customers in the ordinary course of business, or property described in section 1221(a)(3) or (5)). Also included are certain special assets, such as interests in timber, coal, domestic iron ore, certain livestock, and certain unharvested crops.

[652] Sec. 1231(a)(1). However, net section 1231 gain is converted into ordinary income to the extent net section 1231 losses in the previous five years were treated as ordinary losses. Sec. 1231(c). In addition, net gains may be denied capital gains treatment (and taxed as ordinary income) if the transaction is between certain related taxpayers. Sec. 1239.

[653] Sec. 1231(a)(2).

[654] See Treas. Reg. secs. 1.1245–6(b) and 1.1250–1(c)(2).

[655] Sec. 1245(a)(3); Treas. Reg. sec. 1.1245–3.

[656] Secs. 1245(a)(2)(C) and (a)(3)(C).

[657] Secs. 196(f)(7) and 1245(b)(8).

[658] Sec. 1245(a)(1). Generally, all depreciation or amortization adjustments allowed or allowable must be taken into account. However, if a taxpayer can establish by adequate records or other sufficient evidence that the amount allowed for depreciation or amortization for any period was less than the amount allowable for such period, the taxpayer may take into account only the amount allowed. Treas. Reg. sec. 1.1245–2(a)(7).

Section 1250

Depreciable real property, other than that included within the definition of section 1245 property, disposed of at a gain is known as section 1250 property.[659] For example, depreciable residential rental property is section 1250 property. Gain on the disposition of section 1250 property is treated as ordinary income, rather than capital gain, only to the extent of the excess depreciation or amortization taken over what would have been available under the straight line method.[660] However, if section 1250 property is held for one year or less, all depreciation is recaptured, regardless of whether it exceeds the depreciation that would have been available under the straight line method.[661] Special rules phase out the recapture for certain types of property held over a specified period of time.[662]

Since section 1250 recaptures only the excess of accelerated depreciation taken over straight-line depreciation and MACRS requires straight line depreciation for nonresidential real property and residential rental property placed in service after 1986, such property placed in service after 1986 generally will not be subject to recapture under section 1250 (except to the extent that section 291(a) applies in the case of a corporation (discussed below)). However, bonus depreciation allowed or allowable with respect to qualified improvement property or land improvements constitutes additional depreciation for purposes of computing section 1250 recapture (*i.e.*, the bonus depreciation deduction is not a straight-line method).[663]

For corporations, under section 291(a), the amount treated as ordinary income on the disposition of section 1250 property is increased by 20 percent of the additional amount that would be treated as ordinary income if the property were subject to recapture under the rules for section 1245 property. For example, if a corporation sells residential rental property that it held for more than one year, even though the corporation did not claim accelerated depreciation, it is required to recognize ordinary income equal to 20 percent of the lesser of the total amount of depreciation deducted or the gain on the sale. While no separate rate structure exists for corporate capital gains,[664] a corporation may not deduct the amount of capital losses in excess of capital gains for any taxable year. Disallowed capital losses may be carried back three years or carried forward five years.[665]

For individuals, estates, and trusts, any capital gain that would be treated as ordinary income if the property were subject to recap-

[659] Sec. 1250(c); Treas. Reg. sec. 1.1250–1(e).
[660] Sec. 1250(a).
[661] Sec. 1250(b)(1).
[662] Sec. 1250(a)(1)(B). The special phase-out rule applies to residential low-income rental property, certain types of subsidized housing, and property for which rapid depreciation of rehabilitation expenditures was claimed under section 167(k) as in effect on the date before the date of the enactment of the Revenue Reconciliation Act of 1990.
[663] See Treas. Reg. sec. 1.168(k)–2(g)(3). Similarly, in the case of qualified real property (*e.g.*, qualified improvement property) for which the unadjusted basis is reduced by a section 179 deduction, the amount of such reduction is treated as section 1245 property, and the remaining unadjusted basis is treated as section 1250 property. See Notice 2013–59, 2013–40 I.R.B. 297, for special rules for determining the portion of the gain that is attributable to section 1245 property upon the sale or other disposition of qualified real property.
[664] Income of a corporation is generally taxed at 21 percent (sec. 11).
[665] Sec. 1212(a).

ture under the rules for section 1245 property is generally taxed at a maximum rate of 25 percent.[666] This is referred to as "unrecaptured section 1250 gain."[667] The amount of unrecaptured section 1250 gain (before the reduction for the net loss) attributable to the disposition of property to which section 1231 applies may not exceed the net section 1231 gain for the year.[668] Any gain in excess of unrecaptured section 1250 gain is eligible for the 15 percent capital gains rate.[669]

REASONS FOR CHANGE

The Committee believes that the 39-year depreciation period for nonresidential real discourages business investment in factories, buildings, and other structures in the United States. The Committee believes that allowing businesses to elect to immediately expense certain nonresidential property used in manufacturing, agricultural production, chemical production, and refining will strengthen the industrial capacity of the United States, promote capital investment and modernization, and facilitate job creation. The Committee also believes that 100 percent expensing promotes neutrality between business investment and other business expenses and helps reduce tax disadvantages faced by capital intensive businesses.

EXPLANATION OF PROVISION

100 percent depreciation allowance for qualified production property

The provision provides for an elective 100 percent depreciation allowance for qualified production property. Qualified production property is that portion of any nonresidential real property that meets the following requirements:

1. subject to depreciation under section 168,
2. used by the taxpayer as an integral part of a qualified production activity,
3. placed in service in the United States or any possession of the United States,
4. original use commences with the taxpayer,
5. construction begins after January 19, 2025, and before January 1, 2029,
6. subject to an election by the taxpayer to treat such portion as qualified production property, and
7. placed in service after the date of enactment and before January 1, 2033.

Qualified production property does not include the portion of any nonresidential real property used for offices, administrative services, lodging, parking, sales activities, software engineering activities, or other functions unrelated to manufacturing, production, or refining of tangible personal property.

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[666] Sec. 1(h)(1)(E) and (h)(6)(A).

[667] See section 1(h)(6), which defines "unrecaptured 1250 gain" as any long-term capital gain from the sale or exchange of section 1250 property held more than one year to the extent of the gain that would have been treated as ordinary income if section 1250 applied to all depreciation, reduced by the net loss (if any) attributable to the items taken into account in computing 28-percent rate gain of an individual.

[668] Sec. 1(h)(6)(B).

[669] Sec. 1(h)(1)(C).

A qualified production activity is the manufacturing, production, or refining of a qualified product. Such activities of the taxpayer must result in a substantial transformation of the property comprising the product. Production does not include activities other than agricultural production and chemical production.

A qualified product is any tangible personal property.

Qualified production property does not include any property subject to a special allowance for bonus depreciation,[670] qualified second generation biofuel plant property,[671] or qualified reuse and recycling property.[672] For the purposes of the elections not to apply the provisions for accelerated depreciation for bonus depreciation,[673] qualified second generation biofuel plant property,[674] or qualified reuse and recycling property,[675] qualified production property is treated as a separate class of property.

Qualified production property does not include any property to which the alternative depreciation system applies. For the purposes of election to use the alterative deprecation system,[676] qualified production property is treated as a separate class of property.

Special rule for certain property not previously used in qualifying production activities

For property acquired by the taxpayer after January 19, 2025, and before January 1, 2029, the original use requirement and the beginning of construction requirement are treated as satisfied if such property was not used in a qualified production activity by any person at any time between January 1, 2021, and the date of introduction. For the purposes of the special rule, the determination of whether property was previously used in a qualified production activity is made without regard to whether the activities of any taxpayer result in a substantial transformation of the property.

For purposes of determining whether property previously not used in qualifying activities is acquired after December 31, 2024, such property is treated as acquired not later than the date that the taxpayer enters into a written binding contract for acquisition. For purposes of determining whether such property is acquired after January 1, 2030, such property is treated as acquired not earlier than the date that the taxpayer enters into a written binding contract for acquisition.

Recapture

Generally, qualified production property disposed of at a gain is subject to depreciation recapture under section 1245.

Special recapture rules apply if at any time during the 10-year period beginning on the date that any qualified production property is placed in service by the taxpayer, such property (1) ceases to be used by the taxpayer as an integral part of a qualified production activity, and (2) is used by the taxpayer in a productive use other than a use that is an integral part of a qualified production activ-

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[670] Sec. 168(k).
[671] Sec. 168(l).
[672] Sec. 168(m).
[673] Sec. 168(k)(7).
[674] Sec. 168(l)(3)(D).
[675] Sec. 168(m)(2)(B)(iii).
[676] Sec. 168(g)(7)(A).

ity. If such a change in use occurs, section 1245 is applied to treat such property as disposed of by the taxpayer the first time a change in use occurs with respect to such property. The amount treated as ordinary income under section 1245 equals 100 percent of the amount of depreciation allowable for qualified production property. Such amount increases the taxpayer's basis in such property.

EFFECTIVE DATE

The provision applies to property placed in service after the date of enactment.

RENEWAL AND ENHANCEMENT OF OPPORTUNITY ZONES (SEC. 111102 OF THE BILL AND SECS. 1400Z–1, 1400Z–2, 6011, AND 6724 AND NEW SECS. 6039K, 6039L, AND 6726 OF THE CODE)

PRESENT LAW

Overview

Investments in qualified opportunity funds are entitled to three tax benefits, at the taxpayer's election: (1) a temporary deferral of the capital gain reinvested in the qualified opportunity zone (the "rollover gain"); (2) a permanent 10 or 15 percent reduction in the amount of such gain that must be recognized if the investment is held for five or seven years, respectively; and (3) a permanent exclusion of future gains resulting from the investment in the opportunity zone if the investment is held for at least 10 years.[677] To qualify, the rollover gain is generally required to be invested in the qualified opportunity fund during a 180-day period that begins on the date of the sale or exchange that generated the gain.

A qualified opportunity fund is an investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property. The number of communities designated as opportunity zones may be up to 25 percent of the total number of a State's low-income communities, as designated by the governor of a State.[678]

A taxpayer may elect to temporarily defer and partially exclude capital gains from gross income to the extent that the taxpayer invests the amount of those gains in a qualified opportunity fund. The maximum amount of the deferred gain is equal to the amount invested in a qualified opportunity fund by the taxpayer during the 180-day period beginning on the date of the asset sale that produced the gain to be deferred. Capital gains in excess of the deferred amount must be recognized and included in gross income as under present law.

In the case of any investment in a qualified opportunity fund, only a portion of which consists of the investment of gain with respect to which an election is made, such investment is treated as two separate investments, consisting of one investment that includes only amounts to which the election applies (herein "deferred-gain investment"), and a separate investment consisting of other amounts. The temporary deferral and permanent exclusion provi-

[677] Sec. 1400Z–2.
[678] Sec. 1400Z–1.

sions do not apply to the separate investment. For example, if a taxpayer sells stock at a gain and invests the entire sale's proceeds (capital and return of basis) in a qualified opportunity zone fund, an election may be made only with respect to the capital gain amount. No election may be made with respect to amounts attributable to a return of basis, and no special tax benefits apply to such amounts.

The basis of a deferred-gain investment in a qualified opportunity zone fund immediately after its acquisition is zero. If the deferred-gain investment in the qualified opportunity zone fund is held by the taxpayer for at least five years, the basis in the deferred-gain investment is increased by 10 percent of the original deferred gain. If the opportunity zone asset or investment is held by the taxpayer for at least seven years, the basis in the deferred gain investment is increased by an additional five percent of the original deferred gain. Some or all of the deferred gain is recognized on the earlier of (i) the date on which the qualified opportunity zone investment is disposed of, or (ii) December 31, 2026. The amount of gain recognized is the excess of (i) the lesser of the amount deferred or the current fair market value of the investment, over (ii) the taxpayer's basis in the investment. The taxpayer's basis in the investment is increased by the amount of gain recognized. No election under the provision may be made after December 31, 2026, or with respect to a disposition if an election previously made is in effect.

The post-acquisition capital gains on deferred-gain investments in opportunity zone funds that are held for at least 10 years are excluded from gross income. Specifically, in the case of the sale or exchange of an investment in a qualified opportunity zone fund held for more than 10 years, a further election is allowed by the taxpayer to modify the basis of such deferred-gain investment in the hands of the taxpayer to be the fair market value of the deferred-gain investment at the date of such sale or exchange.

In the case of a fund organized as a pass-through entity, investors recognize gains and losses associated with both deferred-gain and nondeferred-gain investments in the fund, under the rules generally applicable to pass-through entities. Thus, for example, investor-partners in a fund organized as a partnership would recognize income and increase their basis with respect to their distributive share of the fund's taxable income.

Qualifying geography

To obtain the deferral and exclusion benefits of the qualified opportunity zone provisions, the taxpayer must invest in qualified opportunity zones. The Code allowed for the designation of certain low-income community population census tracts as qualified opportunity zones. The designation remains in effect beginning on the date of the designation and ending at the end of the tenth calendar year following such designation.[679] The Secretary designated qualified opportunity zones in Notice 2018–48.[680] Thus, the designations are in effect until December 31, 2028.

[679] Sec. 1400Z–1(f).
[680] 2018–28 I.R.B. 9 (June 20, 2018).

For purposes of the designation, the term "low-income communities" has the same meaning as that term is used in the new markets tax credit provisions under section 45D of the Code. For both the new markets tax credit provisions and the opportunity zone provisions, a low-income community is either a population census tract that meets certain criteria, or specific areas designated by the Secretary. Specifically, a low-income community is a population census tract with either (1) a poverty rate of at least 20 percent, or (2) median family income which does not exceed 80 percent of the greater of metropolitan area median family income or statewide median family income (for a nonmetropolitan census tract, this does not exceed 80 percent of statewide median family income). In the case of a population census tract located within a high migration rural county, low-income is defined by reference to 85 percent (as opposed to 80 percent) of statewide median family income. For this purpose, a high migration rural county is any county that, during the 20-year period ending with the year in which the most recent census was conducted, has a net out-migration of inhabitants from the county of at least 10 percent of the population of the county at the beginning of such period.

The Secretary is also authorized to designate "targeted populations" as low-income communities. For this purpose, a "targeted population" is defined by reference to section 103(20) of the Riegle Community Development and Regulatory Improvement Act of 1994 (the "Act") to mean individuals, or an identifiable group of individuals, including an Indian tribe, who are low-income persons or otherwise lack adequate access to loans or equity investments. Section 103(17) of the Act provides that "low-income" means (1) for a targeted population within a metropolitan area, less than 80 percent of the area median family income; and (2) for a targeted population within a nonmetropolitan area, less than the greater of 80 percent of the area median family income or 80 percent of the statewide nonmetropolitan area median family income. A targeted population is not required to be within any census tract. In addition, a population census tract with a population of less than 2,000 is treated as a low-income community for purposes of the qualified opportunity zone rules if such tract is within an empowerment zone, the designation of which is in effect under section 1391, and is contiguous to one or more low-income communities.

In addition to low-income communities, a limited number of other census tracts that are not low-income communities can be so designated if they are contiguous to a designated low-income community and the median family income of such tracts does not exceed 125 percent of the median family income of the contiguous low-income community. The designation of a population census tract as a qualified opportunity zone remains in effect for the period beginning on the date of the designation and ending at the close of the tenth calendar year beginning on or after the date of designation.

The chief executive officer of the State, possession, or the District of Columbia (*i.e.*, Governor, or mayor in the case of the District of Columbia) may submit nominations for a limited number of qualified opportunity zones to the Secretary for certification and designation. If the number of low-income communities in a State is

less than 100, the Governor may designate up to 25 tracts, otherwise the Governor may designate tracts not exceeding 25 percent of the number of low-income communities in the State. There is a special rule for Puerto Rico such that each population census tract in Puerto Rico that is a low-income community is deemed certified and designated as a qualified opportunity zone, effective on the date of enactment of Public Law 115–97 (*i.e.*, December 22, 2017).

Project structure and steps required to obtain benefits

As discussed, the opportunity zones provisions allow a taxpayer to make an election when investing in a qualified opportunity fund that results in three tax benefits. To take advantage of the election, a taxpayer generally sells capital assets and then contributes the realized gain to a qualified opportunity fund within 180 days of the sale. The taxpayer can contribute funds in excess of the realized gain, but those funds will not be eligible for the tax benefits. The qualified opportunity fund contributes the amount received to a directly owned qualified opportunity zone business, a corporation in exchange for qualified opportunity zone stock, or a partnership in exchange for a qualified opportunity zone partnership interest.

A qualified opportunity fund is an investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property (other than another qualified opportunity fund) that holds at least 90 percent of its assets in qualified opportunity zone property. Qualified opportunity zone property means: (1) qualified opportunity zone stock, (2) qualified opportunity zone partnership interests, and (3) qualified opportunity zone business property.

If a qualified opportunity fund fails to meet the 90 percent requirement, unless the fund establishes reasonable cause, the fund is required to pay a monthly penalty equal to the excess of the amount equal to 90 percent of its aggregate assets, over the aggregate amount of qualified opportunity zone property held by the fund multiplied by the underpayment rate in the Code. If the fund is a partnership, the penalty is taken into account proportionately as part of each partner's distributive share.

Qualified opportunity zone stock consists of stock in a domestic corporation that is a qualified opportunity zone business. There are three requirements that must be met for property to be considered qualified opportunity zone stock. First, the stock must be acquired at original issuance (directly or indirectly through an underwriter) solely for cash after December 31, 2017. Second, the corporation must have been a qualified opportunity zone business when the stock was issued (or, for a new corporation, was being organized to be a qualified opportunity zone business). Third, the corporation must qualify as a qualified opportunity zone business during substantially all of the qualified opportunity fund's holding period for the stock.

Qualified opportunity zone partnership interests consist of capital or profits interests in a domestic partnership that is a qualified opportunity zone business. There are three requirements that must be met for property to be considered a qualified opportunity zone partnership interest. First, the interest must be acquired from the partnership solely for cash after December 31, 2017. Second, the

partnership must have been a qualified opportunity zone business when the interest was acquired (or, for a new partnership, was being organized to be a qualified opportunity zone business). Third, the partnership must qualify as a qualified opportunity zone business during substantially all of the qualified opportunity fund's holding period for the interest.

Qualified opportunity zone business property consists of tangible property used in the trade or business of a qualified opportunity fund or qualified opportunity zone business. There are three main requirements that must be met for property to be considered qualified opportunity zone business property. First, the property must be acquired by purchase after December 31, 2017. Second, the original use of the property in the qualified opportunity zone must begin with the qualified opportunity fund or qualified opportunity zone business, or the qualified opportunity fund or qualified opportunity zone business must substantially improve the property. Only new or substantially improved property qualifies as opportunity zone business property. Third, substantially all of the property must be in a qualified opportunity zone during substantially all of the qualified opportunity funds' or qualified opportunity zone business' holding period for the property. Property is treated as substantially improved only if capital expenditures on the property in the 30 months after acquisition exceed the property's adjusted basis on the date of acquisition.

A qualified opportunity zone business is any trade or business in which substantially all of the underlying value of the tangible property owned or leased by the business is qualified opportunity zone business property.

In addition, (1) at least 50 percent of the total gross income of the trade or business must be derived from the active conduct of business in the qualified opportunity zone, (2) a substantial portion of the business's intangible property must be used in the active conduct of business in the qualified opportunity zone, and (3) less than five percent of the average of the aggregate adjusted basis of the property of the business is attributable to nonqualified financial property. Nonqualified financial property means debt, stock, partnership interests, annuities, and derivative financial instruments (including options, futures, forward contracts, and notional principal contracts), other than (1) reasonable amounts of working capital held in cash, cash equivalents, or debt instruments with a term of no more than 18 months, and (2) accounts or notes receivable acquired in the ordinary course of a trade or business for services rendered or from the sale of inventory property.[681] The business cannot be a golf course, country club, massage parlor, hot tub or suntan facility, racetrack or other facility used for gambling, or store whose principal business is the sale of alcoholic beverages for consumption off premises.[682]

Tangible property that ceases to be qualified opportunity zone business property continues to be treated as qualified opportunity zone business property for the lesser of five years after the date on which such tangible property ceases to be so qualified, or the date

[681] Sec. 1397C(e).
[682] Treas. Reg. sec. 1.400Z2(d)–1.

on which such tangible property is no longer held by the qualified opportunity zone business.

Information reporting and data reporting

The Code does not specifically provide rules for information reporting or data reporting from qualified opportunity funds or qualified opportunity zone businesses. The Code provides the Secretary with the authority to prescribe regulations as necessary to carry out the purposes of the section, including (1) rules for the certification of qualified opportunity funds; (2) rules to ensure a qualified opportunity fund has a reasonable period of time to reinvest the return of capital from investments in qualified opportunity zone stock and qualified opportunity zone partnership interests, and to reinvest proceeds received from the sale or disposition of qualified opportunity zone property; and (3) rules to prevent abuse.[683]

REASONS FOR CHANGE

The Committee wants to build off the success of the initial qualified opportunity zones program, by extending the program in a way that targets more underserved low-income communities and rural areas. The Committee believes that the existing opportunity zone program can often neglect areas with persistent poverty, especially those in rural areas, in favor of those in urban centers that are rapidly gentrifying. The opportunity zone program has the potential to unleash economic growth in high poverty communities across the country—communities that investors too often overlook. The Committee believes that tightening up eligible requirements and focusing investment incentives in rural communities will help restore the original promise of opportunity zones by steering private capital to reinvest in underserved communities that have been historically left behind. The Committee further believes that strong transparency and accountability measures are required such as taxpayer information reporting and data reporting by the Secretary to ensure the original program and its expansion to rural areas functions as intended.

EXPLANATION OF PROVISION

In general

The provision allows for the designation of additional qualified opportunity zones under a modified definition of low-income community and modifies the opportunity zone investment incentives. Also, the provision requires information reporting from qualified opportunity funds, qualified rural opportunity funds (as defined), qualified opportunity zone businesses, and qualified rural opportunity zone businesses (as defined), and imposes penalties for fail-

[683] Sec. 1400Z–2(e)(4). Three forms require reporting relating to opportunity zones: Form 8996, *Qualified Opportunity Fund*; Form 8949, *Sales and Other Dispositions of Capital Assets, and Form 8997*; *Initial and Annual Statement of Qualified Opportunity Fund Investments*. A corporation or partnership organized as a qualified opportunity fund uses Form 8996 to certify that it is organized to invest in qualified opportunity zone property and to report that the qualified opportunity fund meets the investment standard of the Code or to calculate the penalty if it fails to meet the investment standard. Taxpayers use Form 8949 to report the election to defer capital gain invested in a qualified opportunity fund. Taxpayers use Form 8997 to report qualified opportunity fund investments held at the beginning and end of the year, capital gains for the year that were deferred, and investments disposed of during the year.

ing to comply with these requirements. Finally, the provision requires the Secretary to publicly report various data on qualified opportunity funds and qualified rural opportunity funds.

Qualifying geography

The provision modifies the designation period for the initial qualified opportunity zones by ending the designation on December 31, 2026 rather than on December 31, 2028.

The provision allows for the designation of additional qualified opportunity zones, in effect from January 1, 2027, through December 31, 2033, under rules similar to those for the initial designation.

For purposes of the additional qualified opportunity zones, the provision modifies the definition of a low-income community to be a population census tract with either (1) a poverty rate of at least 20 percent, or (2) median family income which does not exceed 70 percent (from 80 percent) of the greater of metropolitan area median family income or statewide median family income (for a nonmetropolitan census tract, the median family income does not exceed 70 percent of statewide median family income). In addition, a low-income community is no longer a low-income community if the median family income equals or exceeds 125 percent of the metropolitan area median family income (for a nonmetropolitan census tract, the median family income does not equal or exceed 125 percent of statewide median family income).

Under rules similar to current law, the Secretary is required to designate tracts nominated by the governors of the States. The Secretary may designate 25 percent of the number of low-income communities (under the modified definition) in each State as qualified opportunity zones. However, at a minimum, the "applicable percentage" of the total number of qualified opportunity zone designations is required to be of low-income communities which are comprised entirely of a rural area, as determined by the Secretary in consultation with the Secretary of Agriculture.[684] The applicable percentage, for any calendar year during which a designations made, is the greater of 33 percent or the percentage of the United States population living within a rural area for the preceding calendar year. If a State does not have enough low-income communities that are comprised entirely of a rural area to meet such requirement, then all low-income communities that are comprised entirely of a rural area within a State are required to be designated. In contrast to current law, tracts contiguous with low-income communities are not eligible to be designated.

Finally, for purposes of the additional qualified opportunity zones, the provision modifies the timing for the election for tax benefits and for the recognition of deferred gain from December 31, 2026, to December 31, 2033.

Modification of opportunity zone investment incentives

The provision also modifies the opportunity zone investment incentives. As with the initial qualified opportunity zones, the basis

[684] A rural area, as defined in the Consolidated Farm and Rural Development Act, is a city or town that has a population of fewer than 50,000 inhabitants or any urbanized area contiguous and adjacent to such a city or town.

of a deferred-gain investment in a qualified opportunity zone fund immediately after its acquisition is zero. If the deferred-gain investment in the qualified opportunity zone fund is held by the taxpayer for at least five years, the basis in the deferred-gain investment is increased by 10 percent of the original deferred gain. However, there is no additional five percent increase. Some or all of the deferred gain is recognized on the earlier of (1) the date on which the qualified opportunity zone investment is disposed of, or (2) December 31, 2033. The amount of gain recognized is the excess of (1) the lesser of the amount deferred or the current fair market value of the investment, over (2) the taxpayer's basis in the investment. The taxpayer's basis in the investment is increased by the amount of gain recognized. No election under the provision may be made after December 31, 2033, or with respect to a disposition if an election previously made is in effect.

A different rule applies for investments in qualified rural opportunity funds, defined as a qualified opportunity fund that holds at least 90 percent of its assets in qualified opportunity zone business property which is either (1) qualified opportunity zone business property substantially all of the use of which, during substantially all of the fund's holding period for such property, is in a qualified opportunity zone comprised entirely of a rural area; or (2) qualified opportunity zone stock, or a qualified opportunity zone partnership property interest, in a qualified opportunity zone business in which substantially all of the tangible property owned or leased is qualified opportunity zone business property and substantially all the use of which is in a qualified opportunity zone comprised entirely of a rural area. For these investments, the basis increase at year five is 30 percent rather than 10 percent of the original deferred gain.

Finally, the provision allows the taxpayer to elect to invest up to $10,000 of ordinary income invested in a qualified opportunity fund. The $10,000 limitation is an aggregate limitation for the taxpayer over the life of the opportunity zone program. The zero initial basis and basis increase provisions do not apply with respect to the ordinary income investment. However, there is a permanent exclusion of future gains resulting from the investment in the opportunity zone if the investment is held for at least 10 years.

Reporting on qualified opportunity funds, qualified rural opportunity funds, qualified opportunity zone businesses, and qualified rural opportunity zone businesses

The provision requires information reporting from (1) qualified opportunity funds and qualified rural opportunity funds, and (2) qualified opportunity zone businesses and qualified rural opportunity zone businesses. The provision requires that the qualified opportunity funds and qualified rural opportunity funds electronically file their returns on magnetic media or machine-readable form. The provision states that any term used in these information reporting sections has the same meaning as used in current law governing qualified opportunity zones.

Qualified opportunity funds

The provision requires every qualified opportunity fund to file an annual return (at such time and in such manner as the Secretary may prescribe) containing the following information:

- the name, address, and TIN of the qualified opportunity fund;
- whether the qualified opportunity fund is organized as a corporation or a partnership;
- the value of the total assets held by the qualified opportunity fund as of each date described in section 1400Z–2(d)(1);
- the value of all qualified opportunity zone property held by the qualified opportunity fund on each such date;
- with respect to each investment held by the qualified opportunity fund in qualified opportunity zone stock or a qualified opportunity zone partnership interest:
    - the name, address, and TIN of the corporation in which such stock is held or the partnership in which such interest is held,
    - each North American Industry Classification System ("NAICS") code that applies to the trades or businesses conducted by such corporation or partnership,
    - the population census tracts in which the qualified opportunity zone business property of such corporation or partnership is located,
    - the amount of the investment in such stock or partnership interest as of each date described in section 1400Z–2(d)(1) of the Code,
    - the value of tangible property held by such corporation or partnership on each date which is owned by such corporation or partnership,
    - the approximate number of residential units (if any) for any real property held by such corporation or partnership, and
    - the approximate average monthly number of full-time equivalent employees of such corporation or partnership for the year (within numerical ranges identified by the Secretary) or such other indication of the employment impact of such corporation or partnership as determined appropriate by the Secretary;
- with respect to the items of qualified opportunity zone business property held by the qualified opportunity fund:
    - the NAICS code that applies to the trades or businesses in which such property is held,
    - the population census tract in which the property is located,
    - whether the property is owned or leased,
    - the aggregate value of the items of qualified opportunity zone property held by the qualified opportunity fund as of such date described in section 1400Z–2(d)(1) of the Code, and
    - in the case of real property, the number of residential units (if any);
- the approximate average monthly number of full-time equivalent employees for the year of the trades or businesses

of the qualified opportunity fund in which qualified opportunity zone business property is held (within numerical ranges identified by the Secretary) or such other indication of the employment impact of such trades or businesses as determined appropriate by the Secretary;

- with respect to each person who disposed of an investment in the qualified opportunity fund during the year:
  - the name and TIN of such person,
  - the date(s) on which the investment disposed was acquired, and
  - the date(s) on which any such investment was disposed, and the amount of the investment disposed of; and
- such other information as the Secretary may require.

Every qualified opportunity fund required to file an information return with the IRS as discussed above is also required to provide a written statement to each person whose name is required to be provided on the return because the person disposed of an investment in the qualified opportunity fund during the year. The written statement is required to show:

- the name, address and phone number of the information contact of the qualified opportunity fund required to file the return, and
- the following information with respect to the person who disposed of the investment:
  - the name and TIN of the person,
  - the date(s) on which the investment disposed was acquired, and
  - the date(s) on which any such investment was disposed of, and the amount of the investment disposed of.

The provision treats this statement as a payee statement under the Code, subject to information reporting penalties as discussed below.

For purposes of this information reporting requirement, the term "full-time equivalent employees" means with respect to any month, the sum of: (1) the number of full-time employees (as defined in section 4980H(c)(4)), for the month plus (2) the number of employees determined (under rules similar to the rules of section 4980H(e)(2)(E)) by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 120.

Qualified rural opportunity funds

The provision applies the above information reporting requirements for qualified opportunity funds to qualified rural opportunity funds. Thus, qualified rural opportunity funds are required to file an annual return with the IRS and provide statements to persons who dispose of their investment in the qualified rural opportunity fund during the year.

Qualified opportunity zone businesses

The provision requires every applicable qualified opportunity zone business to provide to the qualified opportunity fund a written statement in such manner and setting forth such information as the Secretary may prescribe for purposes of enabling the qualified

opportunity fund to meet its information return reporting requirements. The term "applicable qualified opportunity zone business" means any qualified opportunity zone business: (1) which is a trade or business of a qualified opportunity fund, (2) in which a qualified opportunity fund holds qualified opportunity zone stock, or (3) in which a qualified opportunity fund holds a qualified opportunity zone partnership interest. The provision treats this statement as a payee statement under the Code, subject to information reporting penalties as discussed below.

Qualified rural opportunity zone businesses

The provision applies the information reporting requirements for qualified opportunity zone businesses to qualified rural opportunity zone businesses. Thus, applicable qualified rural opportunity zone businesses are required to provide to the qualified rural opportunity fund a written statement in such manner and setting for such information as the Secretary may prescribe.

Failure to comply with information reporting requirements relating to qualified opportunity funds and qualified rural opportunity funds

The provision provides penalties for qualified opportunity funds and qualified rural opportunity funds that do not comply with appropriate information reporting requirements. The provision also provides penalties for qualified opportunity zone businesses and qualified rural opportunity zone businesses that do not furnish the required statements to the qualified opportunity funds and the qualified rural opportunity funds.

Qualified opportunity funds and qualified rural opportunity funds

Any qualified opportunity fund and qualified rural opportunity fund that fails to file a complete and correct information return in the time and manner required must pay a penalty of $500 per day, subject to a maximum penalty with respect to one return of $10,000. The maximum penalty is increased to $50,000 for qualified opportunity funds and qualified rural opportunity funds with gross assets (determined on the last day of the taxable year) in excess of $10,000,000 ("large funds"). For intentional disregard of the reporting information requirements, the penalty is $2,500 per day, subject to a maximum penalty of $50,000, or $250,000 in the case of large funds.

The penalty amounts are subject to inflation adjustments for returns required to be filed after calendar year 2024. For the $500 and $2,500 penalty amounts described in the previous paragraph, if any penalty increase is not a multiple of $10, then the total penalty amount is rounded to the next lowest multiple of $10. For large funds, if any penalty increase is not a multiple of $10,000, then the total penalty amount is rounded to the next lowest multiple of $10,000. For any other dollar amounts, if any penalty increase is not a multiple of $1,000, then the total penalty amount is rounded to the next lowest multiple of $1,000.

In addition, the provision imposes penalties on qualified opportunity funds and qualified rural opportunity funds for (1) failure to

file a complete and correct information return in the time and manner required, and (2) failure to provide the written statement to each person whose name is required to be provided on the return because the person disposed of an investment in the qualified opportunity fund or qualified rural opportunity fund during the year.

Qualified opportunity zone businesses and qualified rural opportunity zone businesses

The provision also imposes the penalties discussed above on the qualified opportunity zone business and qualified rural opportunity zone businesses for failure of the qualified opportunity zone business and qualified rural opportunity zone business to provide the written statement in such manner and setting forth such information as the Secretary may prescribe for purposes of enabling the qualified opportunity fund and qualified rural opportunity fund to meet its information return reporting requirements.

Overall, the provision treats the above statements as payee statements under the Code, and as such, subjects the qualified opportunity fund, qualified rural opportunity fund, qualified opportunity fund business, and qualified rural opportunity fund business to the current information reporting penalties for failures relating to payee statements.[685]

Reporting of data on opportunity zone and rural opportunity zone tax incentives

As soon as practical after the date of enactment, and annually thereafter, the Secretary or the Secretary's delegate, in consultation with the Director of the Bureau of the Census and such other agencies as the Secretary determines, are required to publish a report on qualified opportunity funds. The report is required to include the following information:

(i) the number of qualified opportunities funds;

(ii) the aggregate dollar amount of assets held in qualified opportunity funds;

(iii) the aggregate dollar amount of investments made by qualified opportunity funds in qualified opportunity fund property, stated separately for each NAICS code;

(iv) the percentage of population census tracts designated as qualified opportunity zones that have received qualified opportunity fund investments;

(v) for each population census tract designated as a qualified opportunity zone, the approximate average monthly number of full-time equivalent employees of the qualified opportunity zone businesses in such qualified opportunity zone for the preceding 12-month period (within numerical wages identified by the Secretary) or other indication of the employment impact of

[685] A person who fails to furnish correct written statements to recipients of payments for which information reporting is required is subject to a penalty of $250 for each statement with respect to which such a failure occurs, up to a maximum of $3,000,000 in any calendar year, adjusted for inflation. Sec. 6722. These amounts are subject to inflation adjustments under section 6722(f). For information statements due in calendar year 2026, the penalty amount is $340, up to a maximum of $4,098,500 per year. The penalties are reduced if the failure is corrected within a specific amount of time. Sec. 6722(b). The penalties are waived if a person establishes that any failure was due to reasonable cause and not willful neglect. Sec. 6724(a). These failures to furnish penalties are reduced for small businesses (sec. 6722(d)) and increased for failures due to intentional disregard (sec. 6722(e)).

such qualified opportunity fund businesses as determined by the Secretary;

(vi) the percentage of the total amount of investments made by qualified opportunity funds in (1) qualified opportunity zone property which is real property, and (2) other qualified opportunity zone property;

(vii) for each population census tract, the aggregate approximate number of residential units resulting from investments made by qualified opportunity funds in real property; and

(viii) the aggregate dollar amount of investments made by qualified opportunity funds in each population census tract.

In addition to the report described above, for the sixth year after the date of enactment, the Secretary is required to include in the report the impacts and outcomes of a designation of a population census tract as a qualified opportunity zone as measured by economic indicators, such as job creation, poverty reduction, new business starts, and other metrics as determined by the Secretary.

Also, in the sixth year or the 11th year after the date of enactment, the Secretary is required to include in the report, for population census tracts designated as a qualified opportunity zone, a comparison (based on aggregate information) of the factors described below: (1) between the five-year period ending on the date of the enactment of Public Law 115–97 (*i.e.*, December 22, 2017) and the most recent five-year period for which data is available; and (2) for the most recent five-year period for which data is available between such population census tracts and similar population census tracts that were not designated as a qualified opportunity zone. The Secretary is permitted to combine population census tracts into such groups as the Secretary determines appropriate for purposes of making comparisons.

The factors are:

(i) the unemployment rate;

(ii) the number of persons working in the population census tract, including the percentage of such persons who were not residents in the population census tract in the preceding year;

(iii) individual, family, and household poverty rates;

(iv) median family income of residents of the population census tract;

(v) demographic information on residents of the population census tract, including age, income, education, race, and employment;

(vi) the average percentage of income of residents of the population census tract spent on rent annually;

(vii) the number of residences in the population census tract;

(viii) the rate of home ownership in the population census tract;

(ix) the average value of residential property in the population census tract;

(x) the number of affordable housing units in the population census tract;

(xi) the number and percentage of residents in the population census tract that were not employed for the preceding year;

(xii) the number of new business starts in the population census tract; and

(xiii) the distribution of employees in the population census tract by NAICS Code.

The provision requires the Secretary to establish appropriate procedures to ensure that any amounts reported do not disclose taxpayer return information that can be associated with any taxpayer or competitive or proprietary information, and if necessary to protect taxpayer return information, allows the Secretary to combine information required with respect to individual population census tracts into larger geographic areas.

Reports on qualified rural opportunity funds

The provision requires the Secretary to separately publish the same reports for qualified rural opportunity funds as those required above for qualified opportunity funds. For this purpose, the date of enactment of the provision is substituted for the date of enactment of Public Law 115–97 (*i.e.*, December 22, 2017).

EFFECTIVE DATES

The provision establishing the designation of additional qualified opportunity zones applies to amounts invested after the date of enactment.

The provision relating to information reporting requirements applies to taxable years beginning after the date of enactment.

The provision relating to data to be reported by the Secretary becomes effective on the date of enactment.

INCREASED DOLLAR LIMITATIONS FOR EXPENSING OF CERTAIN DEPRECIABLE BUSINESS ASSETS (SEC. 111103 OF THE BILL AND SEC. 179 OF THE CODE)

PRESENT LAW

A taxpayer generally must capitalize the cost of property used in a trade or business or held for the production of income and recover such cost over time through annual deductions for depreciation or amortization.[686] The period for depreciation or amortization generally begins when the asset is placed in service by the taxpayer.[687] Tangible property generally is depreciated under the modified accelerated cost recovery system ("MACRS"), which determines depreciation for different types of property based on an assigned applicable depreciation method, recovery period, and convention.[688]

Election to expense certain depreciable business assets

Subject to certain limitations, a taxpayer may elect under section 179 to deduct (or "expense") the cost of qualifying property, rather

[686] See secs. 263(a) and 167. In general, only the tax owner of property (*i.e.*, the taxpayer with the benefits and burdens of ownership) is entitled to claim cost recovery deductions with respect to the property. In addition, where property is not used exclusively in a taxpayer's business, the amount eligible for a deduction must be reduced by the amount related to personal use. See, *e.g.*, sec. 280A.

[687] See Treas. Reg. secs. 1.167(a)–10(b), –3, –14, and 1.197–2(f). See also Treas. Reg. sec. 1.167(a)–11(e)(1)(i).

[688] Sec. 168.

than to recover such costs through depreciation deductions.[689] The maximum amount a taxpayer may expense is $1,000,000 of the cost of qualifying property placed in service for the taxable year.[690] The $1,000,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds $2,500,000.[691]

The $1,000,000 and $2,500,000 amounts are indexed for inflation for taxable years beginning after 2018.[692] For taxable years beginning in 2025, the total amount that may be expensed is $1,250,000, and the phaseout threshold amount is $3,130,000.[693] For example, assume that during 2025 a calendar year taxpayer purchased and placed in service $4,080,000 of section 179 property. The $1,250,000 section 179(b)(1) dollar amount for 2025 is reduced by the excess section 179 property cost amount of $950,000 ($4,080,000–$3,130,000). The taxpayer's 2025 section 179 expense limitation is $300,000 ($1,250,000–$950,000).[694]

In general, qualifying property is depreciable tangible personal property, off-the-shelf computer software, and qualified real property[695] that is purchased for use in the active conduct of a trade or business.[696] Qualifying property excludes property used (1) outside the United States, (2) by certain tax-exempt organizations, and (3) by governmental units and foreign persons or entities.[697]

Qualified real property includes (1) qualified improvement property[698] and (2) any of the following improvements to nonresidential real property that are placed in service by the taxpayer after the date such nonresidential real property was first placed in service: roofs; heating, ventilation, and air-conditioning ("HVAC") property;[699] fire protection and alarm systems; and security systems.[700]

Passenger automobiles subject to the section 280F limitation are eligible for section 179 expensing only to the extent of the dollar limitations in section 280F.[701] For sport utility vehicles above the

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[689] In the case of property purchased and placed in service by a partnership (or S corporation), the determination of whether the property is section 179 property is made at the partnership (or corporate) level, and the election to expense is made by the partnership (or S corporation). Treas. Reg. sec. 1.179–1(h).

[690] Sec. 179(b)(1).

[691] Sec. 179(b)(2).

[692] Sec. 179(b)(6).

[693] Sec. 3.25 of Rev. Proc. 2024–40, 2024–45 I.R.B. 1100.

[694] The taxpayer's remaining basis in the property may be eligible for bonus depreciation under section 168(k). See Treas. Reg. sec. 1.168(k)–1(a)(2)(iii).

[695] At the election of the taxpayer. Sec. 179(d)(1)(B)(ii). See sec. 3.02 of Rev. Proc. 2019–08, 2019–03 I.R.B. 347, January 14, 2019, for guidance regarding the election to treat qualified real property as section 179 property.

[696] Sec. 179(d)(1). If section 179 property is not used predominantly in a trade or business of the taxpayer at any time before the end of its recovery period, recapture rules apply. Sec. 179(d)(10); Treas. Reg. sec. 1.179–1(e).

[697] Sec. 179(d)(1) flush language and section 50(b) (other than paragraph (2) thereof). Thus, section 179 property includes certain depreciable tangible personal property used predominantly to furnish lodging or in connection with furnishing lodging (*e.g.*, beds and other furniture, refrigerators, ranges, and other equipment used in the living quarters of a lodging facility such as an apartment house, dormitory, or any other facility (or part of a facility) where sleeping accommodations are provided and let). Treas. Reg. sec. 1.48–1(h).

[698] As defined in sec. 168(e)(6).

[699] HVAC property includes all components (whether in, on, or adjacent to the building) of a central air conditioning or heating system, including motors, compressors, pipes, and ducts. Treas. Reg. sec. 1.48–1(e)(2). See also sec. 3.01(1)(b)(iii)(B) of Rev. Proc. 2019–08, 2019–03 I.R.B. 347.

[700] Sec. 179(e).

[701] For a description of section 280F, see Joint Committee on Taxation, *General Explanation of Public Law 115–97* (JCS–1–18), December 2018, pp. 128–130. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

6,000 pound weight rating and not more than the 14,000 pound weight rating, which are not subject to the limitation under section 280F, the maximum cost that may be expensed for any taxable year under section 179 is $25,000 (the "sport utility vehicle limitation").[702] The $25,000 amount is indexed for inflation for taxable years beginning after 2018. For taxable years beginning in 2025, the sport utility vehicle limitation is $31,300.[703]

The amount eligible to be expensed for a taxable year may not exceed the aggregate taxable income from the active conduct of any trade or business (determined without regard to section 179).[704] Any amount that is not allowed as a deduction because of the taxable income limitation may be carried forward to succeeding taxable years (subject to limitations).[705] In the case of a partnership (or S corporation), the section 179 limitations are applied at the partnership (or corporate) and partner (or shareholder) levels.[706]

Amounts expensed under section 179 are allowed for both regular tax and alternative minimum tax purposes.[707] However, no general business credit under section 38 is allowed with respect to any amount for which a deduction is allowed under section 179.[708] In addition, if a corporation makes an election under section 179, the full amount of the deduction does not reduce earnings and profits. Rather, the expenditures that are deducted reduce corporate earnings and profits ratably over a five-year period.[709]

An expense election is made under rules prescribed by the Secretary.[710] In general, any election made under section 179, and any specification contained therein, may be revoked by the taxpayer with respect to any property without the consent of the Commissioner.[711] Such revocation, once made, is irrevocable.

REASONS FOR CHANGE

The Committee believes that section 179 expensing provides two important benefits for small businesses. First, it lowers the cost of capital for tangible property used in a trade or business. With a lower cost of capital, the Committee believes small businesses will invest in more equipment and employ more workers. Second, it eliminates depreciation recordkeeping requirements with respect to expensed property. To increase the value of these benefits and the number of eligible taxpayers that may receive these benefits, the

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[702] Sec. 179(b)(5). For this purpose, a sport utility vehicle excludes any vehicle that: (1) is designed for more than nine individuals sitting behind the driver's seat; (2) is equipped with an open cargo area, or a covered box not readily accessible from the passenger compartment, of at least six feet in interior length; or (3) has an integral enclosure, fully enclosing the driver compartment and load carrying device, does not have seating rearward of the driver's seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.

[703] Sec. 3.25 of Rev. Proc. 2024–40, 2024–45 I.R.B. 1100.

[704] Sec. 179(b)(3). Wages, salaries, tips, and other compensation received by a taxpayer as an employee are included in the taxpayer's aggregate amount of taxable income derived from the active conduct of a trade or business. Treas. Reg. sec. 1.179–2(c)(6)(iv).

[705] Sec. 179(b)(3)(B).

[706] Sec. 179(d)(8).

[707] See Senate Finance Committee Report to Accompany H.R. 3838, Tax Reform Act of 1986, S. Rep. No. 99–313, May 29, 1985, p. 522. See also Instructions for Form 6251, *Alternative Minimum Tax—Individuals* (2022), p. 5.

[708] Sec. 179(d)(9).

[709] Sec. 312(k)(3)(B).

[710] Sec. 179(c)(1).

[711] Sec. 179(c)(2).

provision increases both the amount allowed to be expensed under section 179 and the amount of the phase-out threshold.

EXPLANATION OF PROVISION

The provision increases the maximum amount a taxpayer may expense under section 179 to $2,500,000 and increases the phase-out threshold amount to $4,000,000. The provision provides that the maximum amount a taxpayer may expense for taxable years beginning after 2024 is $2,500,000 of the cost of section 179 property placed in service for the taxable year. The $2,500,000 amount is reduced (but not below zero) by the amount by which the cost of section 179 property placed in service during the taxable year exceeds $4,000,000. The $2,500,000 and $4,000,000 amounts are indexed for inflation for taxable years beginning after 2025.

EFFECTIVE DATE

The provision applies to property placed in service in taxable years beginning after December 31, 2024.

REPEAL OF REVISION TO DE MINIMIS RULES FOR THIRD PARTY NETWORK TRANSACTIONS (SEC. 111104 OF THE BILL AND SECS. 3406(b)(6) AND 6050W(e) OF THE CODE)

PRESENT LAW

Present law requires persons to file an information return concerning certain transactions with other persons.[712] The person filing an information return is also required to provide the person for whom the information return is being filed with a written statement showing the information that was reported to the IRS, which generally includes aggregate payments made, and the contact information for the payor.[713] These returns are intended to assist taxpayers in preparing their income tax returns and to help the IRS determine whether such income tax returns are correct and complete.

Returns relating to payments made in settlement of payment card and third party network transactions

Since 2012 (for payments received in 2011), payment settlement entities are required to report to the IRS and to businesses that receive these payments the gross amount of payments made in settlement of payment card transactions and third party network transactions.[714]

Specifically, any payment settlement entity making a payment to a participating payee in settlement of reportable payment transactions must report annually to the IRS and to the participating payee the gross amount of such reportable payment transactions, as well as the name, address, and TIN of the participating

[712] Secs. 6041 through 6050Y.
[713] See, *e.g.*, sec. 6041(d).
[714] Sec. 6050W; Pub. L. No. 110–289, sec. 3091(a) enacted sec. 6050W, July 30, 2008, effective generally for returns for calendar years beginning after December 31, 2010.

payee.[715] A "reportable payment transaction" means any payment card transaction and any third party network transaction.[716]

A "payment settlement entity" means, in the case of a payment card transaction, a merchant acquiring entity (defined below) and, in the case of a third party network transaction, the third party settlement organization.[717] A "participating payee" means, in the case of a payment card transaction, any person who accepts a payment card as payment and, in the case of a third party network transaction, any person who accepts payment from a third party settlement organization in settlement of such transaction.[718] A "person" includes a governmental unit. A "person" generally does not include someone with a foreign address.[719]

Returns relating to payments made in settlement of payment card transactions

For purposes of the reporting requirement, the term "merchant acquiring entity" means a bank or other organization with the contractual obligation to make payments to participating payees in settlement of payment card transactions.[720] A "payment card transaction" means any transaction in which a payment card is accepted as payment.[721] A "payment card" is defined as any card (*e.g.*, a credit card or debit card) which is issued pursuant to an agreement or arrangement which provides for: (1) one or more issuers of such cards; (2) a network of persons unrelated to each other, and to the issuer, who agree to accept such cards as payment; and (3) standards and mechanisms for settling the transactions between the merchant acquiring entities and the persons who agree to accept such cards as payment.[722] Thus, a bank that enrolls a business to accept credit cards and contracts with the business to make payment on credit card transactions must report to the IRS the business's gross credit card transactions for each calendar year on a Form 1099–K, *Payment Card and Third Party Network Transactions*. The bank also must provide a copy of the information return to the business.

Returns relating to payments made in settlement of third party network transactions

The statute also requires reporting on a third party network transaction. The term "third party network transaction" means any transaction which is settled through a third party payment network.[723] A "third party payment network" is defined as any agreement or arrangement: (1) that involves the establishment of accounts with a central organization by a substantial number of persons (generally considered to be more than 50) who are unrelated to such organization, provide goods or services, and agree to settle transactions for the provision of such goods or services pursuant to

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[715] Sec. 6050W(a).
[716] Sec. 6050W(c)(1).
[717] Sec. 6050W(b).
[718] Sec. 6050W(d)(1).
[719] Sec. 6050W(d)(1)(B) and (C).
[720] Sec. 6050W(b)(2).
[721] For this purpose, the acceptance as payment of any account number or other indicia associated with a payment card also qualifies as a payment card transaction.
[722] Sec. 6050W(d)(2).
[723] Sec. 6050W(c)(3).

such agreement or arrangement; (2) that provides for standards and mechanisms for settling such transactions; and (3) that guarantees persons providing goods or services pursuant to such agreement or arrangement will be paid for providing such goods or services.[724]

In the case of a third party network transaction, the payment settlement entity is the third party settlement organization, which is defined as the central organization which has the contractual obligation to make payment to participating payees of third party network transactions.[725] Thus, an organization generally is required to report if it provides a network enabling buyers to transfer funds to sellers who have established accounts with the organization and have a contractual obligation to accept payment through the network. However, an organization operating a network which merely processes electronic payments (such as wire transfers, electronic checks, and direct deposit payments) between buyers and sellers, but does not have contractual agreements with sellers to use such network, is not required to report. Similarly, an agreement to transfer funds between two demand deposit accounts will not, by itself, constitute a third party network transaction.

De minimis payment exception

A third party payment network does not include any agreement or arrangement that provides for the issuance of payment cards as defined by the provision.[726] In addition, there is an exception for *de minimis* payments that applies to payments made by third party settlement organizations but not to payments made by merchant acquiring entities. For calendar years beginning after December 31, 2021, a third party settlement organization is required to report third party network transactions with any participating payee that exceed a minimum threshold of $600 in aggregate payments, regardless of the aggregate number of such transactions.[727] In other words, there is not a threshold requirement for the number of transactions. In addition, third party network transactions only include transactions for the provision of goods or services. Reporting is not required for other transactions, including personal gifts, charitable contributions, and reimbursements.

The previous exception for de minimis payments for calendar years beginning prior to January 1, 2022, provided that a third party settlement organization was not required to report unless the aggregate value of third party network transactions with respect to a participating payee for the year exceeds $20,000 and the aggregate number of such transactions with respect to a participating payee exceeds 200.

Notwithstanding the revisions to the de minimis payment exception, the IRS allowed third party settlement organizations to delay implementation of the $600 aggregate payment threshold for cal-

[724] Sec. 6050W(d)(3).
[725] Sec. 6050W(b)(3).
[726] Sec. 6050W(d)(3).
[727] Sec. 6050W(e); American Rescue Plan Act, Pub. L. No. 117–2, Title IX, sec. 9674, March 11, 2021, amending sec. 6050W(e), effective generally for returns for calendar years beginning after December 31, 2021.

endar years 2022 and 2023.[728] As a result, for these years, reporting was not required unless the third party settlement organization's receipts were over the prior threshold $20,000 and more than 200 transactions. In addition, the IRS provided that penalties would not be asserted under section 6721 or section 6722 for third-party settlement organizations failing to file or failing to furnish Forms 1099–K unless the gross amount of aggregate payments required to be reported exceeded $20,000 and the number of transactions exceeded 200. The IRS stated that the reason for this delay was the complexity of the threshold change enacted under the American Rescue Plan Act.[729]

The IRS also provided transition relief for third-party settlement organizations regarding transactions during calendar years 2024 and 2025.[730] Under the IRS guidance,[731] third-party settlement organizations are required to report transactions with respect to a participating payee when the amount of total payments for those transactions is more than $5,000, regardless of the number of transactions, in calendar year 2024, and more than $2,500, regardless of the number of transactions, in calendar year 2025. In addition, for calendar year 2024 and calendar year 2025, the IRS will not assert penalties under section 6721 or 6722 for a third-party settlement organization failure to file or furnish Forms 1099–K with respect to a payee unless the gross amount of aggregate payments to be reported exceeds $5,000 or $2,500, respectively, regardless of the number of such transactions. For calendar years beginning after December 31, 2025, a third-party settlement organization is required to report payments in settlement of third party network transactions with respect to any participating payee that exceed a minimum threshold of $600 in aggregate payments, regardless of the number of transactions.

Rules regarding reporting requirements

There are also reporting requirements on intermediaries who receive payments from a payment settlement entity and distribute such payments to one or more participating payees.[732] Such intermediaries are treated as participating payees with respect to the payment settlement entity and as payment settlement entities with respect to the participating payees to whom the intermediary distributes payments. Thus, for example, in the case of a corporation that receives payment from a bank for credit card sales conducted at the corporation's independently-owned franchise stores, the bank is required to report to the corporation and to the IRS the gross amount of reportable payment transactions settled with respect to the corporation (notwithstanding the fact that the corporation does not accept payment cards and would not otherwise be treated as

[728] Notice 2023–10, 2023–3 I.R.B. 403, January 17, 2023 and Notice 2023–74, 2023–51 I.R.B. 1484, December 18, 2023.
[729] IR–2023–221, Nov. 21, 2023.
[730] IR–2024–299, Nov. 26, 2024.
[731] Notice 2024–85, 2024–51 I.R.B. 1349, November 26, 2024. Notice 2024–84 also provides that, for calendar year 2024, the IRS will not assert penalties under section 6651 or 6656 with respect to a third-party settlement organization failure to withhold and pay backup withholding tax during the calendar year. For calendar year 2025 and after, however, the IRS will assert penalties under section 6651 or 6656 with respect to a third-party settlement organization's failure to withhold and pay backup withholding tax.
[732] Sec. 6050W(b)(4).

a participating payee). In turn, the corporation, as an intermediary, is required to report the gross amount of reportable payment transactions allocable to each franchise store. The bank has no reporting obligation with respect to payments made by the corporation to its franchise stores.

In addition, if a payment settlement entity contracts with a third party facilitator to settle reportable payment transactions on behalf of the payment settlement entity, the third party facilitator is required to file the annual information return in lieu of the payment settlement entity.[733]

The payment settlement entity is required to file information returns to the IRS on or before February 28 (March 31 if filing electronically) of the year following the calendar year for which the returns must be filed.[734] Statements are required to be furnished to the participating payees on or before January 31 of the year following the calendar year for which the return was required to be made.[735]

The Secretary has exercised authority under these rules to issue guidance to implement the reporting requirement, including rules to prevent the reporting of the same transaction more than once.[736]

The reportable payment transactions subject to information reporting generally are subject to backup withholding requirements. In addition, the information reporting penalties apply for any failure to file a correct information return or furnish a correct payee statement with respect to the reportable payment transactions. Any person who is required to file an information return or furnish a payee statement but who fails to do so on or before the prescribed due date is subject to a penalty that varies based on when, if at all, the correct information return is filed or furnished. Penalties are imposed for failure to file the information return[737] or furnish payee statements.[738] No penalty is imposed if the failure is due to reasonable cause.[739] Both the failure to file and failure to furnish penalties are adjusted annually to account for inflation.

REASONS FOR CHANGE

The Committee believes that the previous de minimis reporting threshold should be reinstated because the lower threshold means that millions of individuals will receive Form 1099–Ks, often in instances where there is no tax liability, creating significant confusion and administrative challenges. For example, selling a used piece of furniture for less than the original purchase price will not create any taxable income. However, the Committee notes that these transactions may trigger reporting requirements if the previous threshold is not reinstated, yielding confusion for online plat-

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[733] Sec. 6050W(b)(4)(B); Treas. Reg. sec. 1.6050W–1(d)(2).

[734] Treas. Reg. sec. 1.6050W–1(g). Taxpayers that file these information returns that report reportable payment transactions are entitled to a 30-day automatic extension of time to file. Treas. Reg. sec. 1.6081–8(a) (effective for requests for extension of time to file certain information returns due after December 31, 2016).

[735] Sec. 6050W(f); Treas. Reg. sec. 1.6050W–1(h).

[736] Treas. Reg. sec. 1.6050W–1(a)(4)(ii).

[737] Sec. 6721.

[738] Sec. 6722. Section 6723 also imposes a penalty for failure to timely comply with a specified information reporting requirement. However, this penalty applies in narrow circumstances and is unlikely to apply to payment settlement entities under section 6050W. See Treas. Reg. sec. 301.6723–1(a)(4).

[739] Sec. 6724(a).

forms and taxpayers, which could result in overreporting of income and therefore overpayment of taxes as well as ineligibility for certain tax benefits. The Committee believes reverting back to the previous reporting threshold is necessary to prevent numerous individuals from having to hire tax professionals and keep onerous records and receipts, or from being misled into thinking the arrival of a Form 1099–K represents taxable income they must report. Separately, it is also clear to the Committee that The American Rescue Plan Act (ARPA) of 2021 targeted hardworking Americans by reducing the 1099–K reporting thresholds from $20,000 in earnings and 200 individual transactions to only $600, increasing taxes and paperwork burdens on workers, especially those in the gig economy, already trying to make ends meet. Moreover, the Committee recognizes that these new requirements were as unworkable for the Internal Revenue Service (IRS) as it was for the American people. This is evidenced by the IRS's refusal to implement ARPA's 1099–K reporting requirement for over four years following enactment.

EXPLANATION OF PROVISION

The provision reverts to the previous *de minimis* reporting exception for third party settlement organizations, and the same threshold the IRS has followed for calendar years 2022 and 2023. A third party settlement organization is not required to report unless the aggregate value of third party network transactions with respect to a participating payee for the year exceeds $20,000 and the aggregate number of such transactions with respect to a participating payee exceeds 200.

The provision does not change the clarification that reporting is not required on transactions which are not for goods or services.

The obligations of a merchant acquiring entity are unchanged. For example, if a company is considered a merchant acquiring entity, it must issue a Form 1099–K to all participating payees who have received payments of any amount starting with the first dollar. On the other hand, if a business that provides an online marketplace for sales of goods such as clothing, cars, furniture, etc. is considered a third party settlement organization, under this provision, it does not have to provide a Form 1099–K to sellers participating on its web-based platform who have received payments of $20,000 or less or to sellers who have engaged in 200 or fewer transactions.

The provision also makes a conforming change to the backup withholding dollar threshold [740] to align with the restoration of the previous *de minimis* reporting threshold. However, under the provision, the *de minimis* reporting threshold does not apply with respect to payments to any participating payee during any calendar year if one or more payments in settlement of third party network transactions made by the payor to the participating payee during the preceding calendar year were reportable payments.

[740] Sec. 3406(b)(6).

EFFECTIVE DATES

The provision with respect to the reinstatement of the exception for *de minimis* payments applies as if included in section 9674 of Public Law No. 117–2, the American Rescue Plan Act (enacted on March 11, 2021). Thus, the provision applies to returns for calendar years beginning after December 31, 2021.

The provision with respect to the application of the *de minimis* rule for third party network transactions to backup withholding applies to calendar years beginning after December 31, 2024.

INCREASE IN THRESHOLD FOR REQUIRING INFORMATION REPORTING WITH RESPECT TO CERTAIN PAYEES (SEC. 111105 OF THE BILL AND SECS. 6041, 6041A, AND 3406(b)(6) OF THE CODE)

PRESENT LAW

Information reporting requirements

Present law requires persons to file an information return concerning certain transactions with other persons.[741] The person filing an information return (the "payor") is also required to provide the person for whom the information return is being filed (the "payee") with a written statement showing the information that was reported to the Internal Revenue Service ("IRS"), which generally includes aggregate payments made, and the contact information for the payor.[742] These returns are intended to assist taxpayers in preparing their income tax returns and to help the IRS determine whether such income tax returns are correct and complete.

For example, every person engaged in a trade or business who makes certain payments aggregating $600 or more in any taxable year to a single payee in the course of such trade or business must report those payments to the IRS.[743] This requirement applies to fixed or determinable payments of income as well as nonemployee compensation, generally reported on either Form 1099–MISC, *Miscellaneous Information*, or Form 1099–NEC, *Nonemployee Compensation*. In addition, any service recipient engaged in a trade or business and paying for services is required to make a return according to regulations when aggregate payments equal $600 or more.[744] Governmental entities are specifically required to make an information return,[745] and in the case of payments by Federal executive agencies that extends to reporting payments to corporations as well as individuals.[746]

However, these provisions discussed above do not cover payments for goods or certain enumerated types of payments that are subject to other specific reporting requirements, such as provisions covering dividends, interest, and royalties.[747] Treasury regulations generally provide further exceptions from the reporting of pay-

[741] Secs. 6041 through 6050Y.
[742] See, *e.g.*, sec. 6041(d).
[743] Sec. 6041.
[744] Sec. 6041A.
[745] Sec. 6041(A)(d)(2).
[746] Sec. 6041A(d)(3)(A).
[747] Section 6041(a) generally excepts from its scope most interest, royalties, and dividends, which are instead covered by sections 6049, 6050N, and 6042, respectively.

ments to corporations, exempt organizations, governmental entities, international organizations, and retirement plans.[748]

A person who is required to file information returns but who fails to do so by the due date for the returns, includes on the returns incorrect information, or files incomplete returns generally is subject to a penalty of $250 for each return with respect to which such a failure occurs, up to a maximum of $3,000,000 in any calendar year, adjusted for inflation.[749] Similar penalties apply to failures to furnish correct written statements to recipients of payments for which information reporting is required.[750] The failure to file and failure to furnish penalties are reduced for small businesses[751] and increased for failures due to intentional disregard.[752]

Backup withholding

Generally, a payor is not required to withhold taxes from payments to the payee. However, a payor may be required to deduct and withhold income tax on certain "reportable payments" at a rate equal to 24 percent[753] if: (1) the payee fails to furnish his or her taxpayer identification number ("TIN") to the payor; (2) the IRS notifies the payor that the payee's TIN is incorrect; (3) a notified payee underreporting of reportable payments has occurred; or (4) a payee certification failure with respect to reportable payments has occurred.[754] The requirement to deduct and withhold in the case of a notified payee underreporting or a payee certification failure applies solely to reportable interest or dividend payments. These deduction and withholding requirements[755] are referred to as backup withholding.

Reportable payments are defined as any reportable interest or dividend payment and any other reportable payment.[756] A reportable interest or dividend payment means any payment of a kind, and to a payee, required to be shown on an information return required under any of the following sections: (i) 6049(a), relating to payments of interest, (ii) 6042(a), relating to payments of dividends, or (iii) 6044, relating to payments of patronage dividends, but only to the extent such payment is in money and only if 50 percent or more of such payment is in money. Any other reportable

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[748] Treas. Reg. sec. 1.6041–3. Certain for-profit health care provider corporations are not covered by this general exception, including those organizations providing billing services for such companies.

[749] Sec. 6721. These amounts are adjusted annually for inflation. For information returns required to be filed in calendar year 2023, the penalty amount is $290, up to a maximum of $3,532,500 per calendar year. For information returns required to be filed in calendar year 2024, the penalty amount is $310, up to a maximum of $3,783,000 per calendar year. The penalties are reduced if the failure is corrected within a specified amount of time. Sec. 6721(b). The penalties are waived if a person establishes that any failure was due to reasonable cause and not willful neglect. Sec. 6724(a).

[750] Sec. 6722. These amounts are also adjusted annually for inflation. For information statements required to be filed in calendar year 2023, the penalty amount is $290, up to a maximum of $3,532,500 per calendar year. For information statements required to be filed in calendar year 2024, the penalty amount is $310, up to a maximum of $3,783,000 per calendar year. The penalties are reduced if the failure is corrected within a specified amount of time. Sec. 6722(b). The penalties are waived if a person establishes that any failure was due to reasonable cause and not willful neglect. Sec. 6724(a).

[751] Secs. 6721(d) and 6722(d).

[752] Secs. 6721(e) and 6722(e).

[753] Sec. 3406(a)(1)(D). The backup withholding rate is the fourth lowest rate of tax applicable under section 1(c). In 2023, this rate is 24 percent.

[754] Sec. 3406(a)(1).

[755] Sec. 3406.

[756] Sec. 3406(b).

payment means any payment of a kind, and to a payee, required to be shown on a return required under any of the following sections: (i) 6041, relating to certain information at source, (ii) 6041A(a), relating to payments of remuneration for services, (iii) 6045, relating to returns of brokers, (iv) 6050A, relating to reporting requirements of certain fishing boat operators, but only to the extent such payment is in money and represents a share of the proceeds of the catch, (v) 6050N, relating to payments of royalties, or (vi) 6050W, relating to payments made in settlement of payment card and third party settlement transactions. Examples of payments that may be subject to backup withholding include interest, dividends, rents, royalties, commissions, non-employee compensation, and broker payments.

In general, a payment is determined to be a reportable payment, and therefore subject to backup withholding, without regard to any minimum amount which must be paid before an information return is required under the applicable information reporting statute.[757]

For payments required to be shown on a return under section 6041(a) or 6041A(a), relating to certain information at the source and payments of remuneration for services, a minimum amount generally must be paid before the payment is subject to backup withholding.[758] Such payments are treated as reportable payments, and therefore subject to backup withholding, only if (i) the aggregate amount of such payment and all previous payments described in section 6041(a) or 6041A(a) by the payor to the payee during such calendar year equals or exceeds $600, (ii) the payor was required under section 6041(a) or 6041A(a) to file an information return for the preceding calendar year with respect to payments to the payee, or (iii) during the preceding calendar year, the payor made reportable payments to the payee with respect to which amounts were required to be deducted and withheld under the backup withholding requirements. Backup withholding generally applies only to payments made to U.S. persons who have failed to provide the payor with a valid IRS Form W–9, *Request for Taxpayer Identification Number and Certification*; however, it may also apply to certain payments made to persons in the absence of valid documentation of foreign status. Backup withholding does not apply to payments made to exempt recipients, including tax-exempt organizations, government entities, and certain other entities.[759] Thus, a payor of reportable payments generally must request that a U.S. payee (other than certain exempt recipients) furnish a Form W–9 providing that person's name and TIN.[760]

REASONS FOR CHANGE

The Committee notes that the thresholds for third-party information reporting have not been fundamentally reviewed or adjusted for inflation since 1954. The Committee also notes that the penalties for failure to properly report are adjusted for inflation. The Committee believes that the compliance objectives of third-party information reporting must be balanced with the resulting additional

[757] Sec. 3406(b)(4).
[758] Sec. 3406(b)(6).
[759] Sec. 3406(g); Treas. Reg. sec. 31.3406(g)–1.
[760] Treas. Reg. sec. 31.3406(h)–3.

administrative burden, specifically that placed on small businesses. Thus, the Committee believes it is necessary to modernize the information reporting regime by updating the reporting thresholds to keep up with inflation and provide relief for small businesses and individuals subject to these rules.

EXPLANATION OF PROVISION

The provision changes the information reporting threshold for certain payments to persons engaged in a trade or business [761] and payments of remuneration for services [762] to $2,000 in a calendar year, with the threshold amount to be indexed annually for inflation in calendar years after 2026. No change is made to the information reporting threshold for direct sales.

The provision also makes a conforming change to the backup withholding dollar threshold [763] to align with the new $2,000 reporting threshold. Under the provision, both the information reporting thresholds and the backup withholding thresholds are for transactions that equal or exceed $2,000 (indexed for inflation for calendar years after 2026).

EFFECTIVE DATE

The provision applies with respect to payments made after December 31, 2025.

REPEAL OF EXCISE TAX ON INDOOR TANNING SERVICES (SEC. 111106 OF THE BILL AND SEC. 5000B OF THE CODE)

PRESENT LAW

A retail sales tax is imposed on indoor tanning services.[764] The tax rate is 10 percent of the amount paid for such services, including any amount paid by insurance.[765] If a payment covers charges for indoor tanning services as well as other goods and services, the charges for other goods and services may be excluded in computing the tax payable on the amount paid.[766]

Consumers are liable for the tax, with service providers being responsible for collecting and remitting the tax to the Federal Government on a quarterly basis.

Indoor tanning services are services employing any electronic product designed to induce skin tanning and which incorporate one or more ultraviolet lamps with wavelengths in air between 200 and 400 nanometers.[767] Taxable services do not include phototherapy services [768] performed by a licensed medical professional. There is

[761] Sec. 6041(a).
[762] Sec. 6041A(a).
[763] Sec. 3406(b)(6).
[764] Sec. 5000B.
[765] The total amount paid is presumed to include the tax if the tax is not separately stated. Treas. Reg. sec. 48.5000B–1(d)(1)(i).
[766] Treas. Reg. sec. 48.5000B–1(c)(2), (d)(2), and (d)(3).
[767] Treas. Reg. sec. 48.5000B–1(c)(1).
[768] Phototherapy services are services that expose an individual to specific wavelengths of light for the treatment of (i) dermatological conditions, such as acne, psoriasis, and eczema; (ii) sleep disorders; (iii) seasonal affective disorder or other psychiatric disorder; (iv) neonatal jaundice; (v) wound healing; and (vi) other medical conditions determined by a licensed medical professional to be treatable by exposing the individual to specific wavelengths of light. Treas. Reg. sec. 48.5000B–1(c)(3).

also an exemption for qualified physical fitness facilities that meet certain criteria and offer tanning as an incidental service to members without a separately identifiable fee.[769]

REASONS FOR CHANGE

The Committee believes that the tax on indoor tanning services places a significant and intrusive burden on individuals who use tanning services and on businesses that are responsible for collecting and remitting the tax. The Committee believes that repealing the tax will help small businesses that offer tanning services.

EXPLANATION OF PROVISION

Under the provision, the excise tax on indoor tanning services applies for services performed on or prior to the date of enactment. Thus, the tax does not apply to services performed after the date of enactment.

EFFECTIVE DATE

The provision is effective for services performed after the date of enactment.

EXCLUSION OF INTEREST ON LOANS SECURED BY RURAL OR AGRICULTURAL REAL PROPERTY (SEC. 111107 OF THE BILL AND NEW SEC. 139J AND SEC. 265 OF THE CODE)

PRESENT LAW

In general

Gross income broadly encompasses all income from whatever source derived and includes, among other items, interest.[770] While the Code does not provide an exhaustive list of gross income inclusions, the courts deem an item as gross income if it constitutes a clearly realized accession to wealth under the taxpayer's control unless that item is excepted.[771] Exceptions include certain types interest income such as interest on State and local bonds[772] and interest received from the Federal Government in connection with an action to recover property seized by the Internal Revenue Service.[773] Present law disallows a deduction for certain expenses and interest on indebtedness incurred to purchase or carry tax-exempt obligations.[774]

REASONS FOR CHANGE

By lowering the tax burden on interest income earned by certain lenders on loans secured by rural or agricultural real property and

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[769] Treas. Reg. sec. 48.5000B–1(d)(4).

[770] Sec. 61(a)(4) and Treas. Reg. sec. 1.61–7. Interest income includes interest on savings or other bank deposits; interest on coupon bonds; interest on an open account, a promissory note, a mortgage, or a corporate bond or debenture; the interest portion of a condemnation award; usurious interest (unless by State law it is automatically converted to a payment on the principal); interest on legacies; interest on life insurance proceeds held under an agreement to pay interest thereon; and interest on refunds of Federal taxes. Treas. Reg. sec. 1.61–7(a).

[771] *Commissioner v. Glenshaw Glass Co.*, 348 U.S. 426, 432 (1955). Sec. 61(b) cross references statutory exclusions from gross income in sections 101 through 139I.

[772] Sec. 103.

[773] Sec. 139H.

[774] Sec. 265(a).

certain other aquaculture, fishing, and seafood processing property, the Committee intends to expand low-cost credit in rural communities. The provision will help farmers, ranchers, and fishermen obtain affordable loans to finance their operations. The Committee believes that a robust credit market in rural communities will promote agricultural production, strengthen the domestic food supply chain, and provide critical assistance to rural areas.

EXPLANATION OF PROVISION

The provision allows banks insured under the Federal Deposit Insurance Act,[775] domestic entities owned by a bank holding company,[776] State or Federally regulated insurance companies, domestic entities owned by a State law insurance holding company, and the Federal Agricultural Mortgage Corporation ("Farmer Mac")[777] to exclude from gross income 25 percent of interest income derived from qualified real estate loans.

Qualified real estate loans are the following types of original loans[778] made after the date of enactment and before January 1, 2029, to a person other than a specified foreign entity:[779]

- loans secured by domestic real property that is substantially used to produce agricultural products (*e.g.* farms and ranches) or a leasehold mortgage on such property;
- loans secured by domestic real property that is substantially used in the trade or business of fishing or seafood processing or a leasehold mortgage on such property; and
- loans secured by any domestic aquaculture facility[780] or a leasehold mortgage on such facility.[781]

The provision treats qualified real estate loans as tax-exempt obligations for purposes of disallowing interest deductions on indebtedness incurred by qualified lenders to purchase or carry such loans.

EFFECTIVE DATE

The provision applies to original debt incurred in taxable years ending after the date of enactment.

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[775] As defined in 12 U.S.C. sec. 1811, et seq.

[776] As defined in section 8 of the International Banking Act (12 U.S.C. sec. 3106).

[777] As established under section 8.1(a) of the Farm Credit Act of 1971 (12 U.S.C. sec. 2279aa–1(a)).

[778] Qualified real estate loans exclude refinancings of loans made on or before the date of enactment.

[779] As defined under section 7701(a)(51)(B), as added by the provision.

[780] An aquaculture facility means any domestic land, structure, or other appurtenance that is used for aquaculture, including any hatchery, rearing pond, raceway, pen, or incubator that is in any State or any territory of the United States,

[781] Farmer Mac is not eligible to exclude from gross income any interest income received from loans secured by domestic real property that is substantially used in the trade or business of fishing or seafood processing, or loans secured by domestic aquaculture facilities. That is, it may only exclude from gross income 25 percent of the interest derived from loans secured by domestic real property that is substantially used to produce agricultural products or a leasehold mortgage on such property.

TREATMENT OF CERTAIN QUALIFIED SOUND RECORDING PRODUCTIONS (SEC. 111108 OF THE BILL AND SECS. 168 AND 181 OF THE CODE)

PRESENT LAW

Expensing of certain qualified film, television, and live theatrical productions

Under section 181, a taxpayer may elect[782] to deduct up to $15 million of the aggregate production costs of any qualified film, television or live theatrical production that commences before to January 1, 2026.[783] Instead of capitalizing and recovering those production costs through depreciation allowances once the production is placed in service, taxpayers deduct the costs when it pays or incurs them.[784] The dollar limit is increased to $20 million if a significant amount of the production costs are incurred in areas eligible for designation as a low-income community or eligible for designation by the Delta Regional Authority as a distressed county or isolated area of distress.[785]

A section 181 election may only be made by an owner of the production.[786] An owner of a production is any person that is required under section 263A to capitalize the costs of producing the production into the cost basis of the production, or that would be required to do so if section 263A applied to that person.[787] In addition, the aggregate production costs of a qualified production that is co-produced include all production costs, regardless of funding source, in determining if the applicable dollar limit is exceeded. Thus, the term "aggregate production costs" means all production costs paid or incurred by any person, whether paid or incurred directly by an owner or indirectly on behalf of an owner.[788] Taxpayers must capitalize and recover production costs that exceed the applicable dollar limitation under their method of accounting (*e.g.*, under the in-

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[782] See Treas. Reg. sec. 1.181–2 for rules on making (and revoking) an election under section 181.

[783] For purposes of determining whether a production is eligible for section 181 expensing, a qualified film or television production is treated as commencing on the first date of principal photography or in-between animation. Treas. Reg. sec. 1.181–6(a). The date on which a qualified live theatrical production commences is the date of the first public performance of such production for a paying audience. 2015 PATH Act, Pub. L. No. 114–113, Div. Q, sec. 169(d)(2)(B).

[784] Sec. 181(a)(2)(A). See Treas. Reg. sec. 1.181–1 for rules on determining eligible production costs. Eligible production costs under section 181 include participations and residuals, compensation for services, compensation for property rights, and financing costs. Treas. Reg. sec. 1.181–1(a)(3)(i). The special rule in section 167(g)(7) that allows taxpayers using the income forecast method of depreciation to include participations and residuals that have not satisfied the economic performance rules (*i.e.*, participations and residuals that have not been 'paid or incurred') in the adjusted basis of property placed in service does not apply for purposes of section 181. Treas. Reg. sec. 1.181–1(a)(8). Thus, under section 181, a taxpayer may only include participations and residuals that it pays or incurs for eligible production costs. Production costs exclude the cost of obtaining a production after its initial release or broadcast. See Treas. Reg. sec. 1.181–1(a)(3)(iii). For this purpose, "initial release or broadcast" means the first commercial exhibition or broadcast of a production to an audience. Treas. Reg. sec. 1.181–1(a)(7). Thus, *e.g.*, a taxpayer may not expense the purchase of an existing film library under section 181. See T.D. 9551, 76 Fed. Reg. 64816, October 19, 2011.

[785] Sec. 181(a)(2)(B).

[786] Treas. Reg. sec. 1.181–1(a).

[787] Treas. Reg. sec. 1.181–1(a)(2)(i).

[788] Treas. Reg. sec. 1.181–1(a)(4). See Treas. Reg. sec. 1.181–2(c)(3) for the information required to be provided to the Internal Revenue Service when more than one person will claim deductions under section 181 for a production (to ensure that the applicable deduction limitation is not exceeded).

come forecast method, or section 168(k) if eligible, as discussed below).[789]

A qualified film or television, or live theatrical production means any production of a motion picture (whether released theatrically or directly to video cassette or any other format), television program, or live staged play if at least 75 percent of the total compensation, excluding participations and residuals,[790] expended on the production is for services performed in the United States by actors, directors, producers, and other relevant production personnel.[791]

A qualified film or television production means any motion picture or video tape.[792] Each episode of a television series is treated as a separate production, and only the first 44 episodes of a particular series qualify under the provision.[793] Qualified film or television productions exclude sexually explicit productions.[794]

A qualified live theatrical production means a live staged production of a play (with or without music) which is derived from a written book or script and is produced or presented by a commercial entity in venues of a certain capacity. Generally, the audience capacity of the venue cannot exceed 3,000 people, or in the case of a series of venues, the majority of those venues cannot exceed 3,000 people.[795] There is a capacity exception for seasonal productions produced or presented by a taxpayer for no more than 10 weeks annually in any venue whose audience capacity does not exceed 6,500 people.[796] Each live-staged production is treated as a separate production. Like qualified film and television productions, qualified live theatrical productions exclude sexually explicit productions.[797]

Any deduction allowed under section 181 is treated as an allowable amortization deduction[798] subject to ordinary income recapture in the taxable year in which (1) the taxpayer revokes a section 181 election, (2) the production fails to meet the requirements of section 181, or (3) the taxpayer sells or otherwise disposes of the production.[799]

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[789] See Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 110th Congress* (JCS–1–09), March 2009, p. 448; Treas. Reg. sec. 1.181–1(c)(2). A production is generally considered to be placed in service at the time of initial release, broadcast, or live staged performance (*i.e.*, at the time of the first commercial exhibition, broadcast, or live staged performance of a production to an audience). See, *e.g.*, Rev. Rul. 79–285, 1979–2 C.B. 91; and PLR 9010011, March 9, 1990. See also, Treas. Reg. sec. 1.181–1(a)(7). However, a production is not placed in service if it is only exhibited, broadcasted or performed for a limited test audience in advance of the commercial exhibition, broadcast, or performance to general audiences. See PLR 9010011; Treas. Reg. sec. 1.181–1(a)(7).

[790] Sec. 181(d)(3)(B). Participations and residuals are defined as, with respect to any property, costs the amount of which by contract varies with the amount of income earned in connection with such property. See also Treas. Reg. sec. 1.181–3(c).

[791] Sec. 181(d)(1) and (e)(1).

[792] Secs. 181(d)(2)(A) and 168(f)(3).

[793] Sec. 181(d)(2)(B).

[794] As referenced by 18 U.S.C. section 2257. Sec. 181(d)(2)(C).

[795] Sec. 181(e)(2)(A).

[796] Sec. 181(e)(2)(D),

[797] As referenced by 18 U.S.C. section 2257. Sec. 181(e)(2)(E).

[798] Sec. 1245(a)(2)(C). For a discussion of the recapture rules applicable to depreciation and amortization deductions, see Joint Committee on Taxation, *Tax Incentives for Domestic Manufacturing* (JCX–8–24), March 8, 2024, pp. 14–17. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[799] See Treas. Reg. sec. 1.181–4.

Depreciation of certain intangible property

A taxpayer generally must capitalize the cost of property used in a trade or business or held produce income and recover the cost over time through annual depreciation or amortization deductions.[800] Depreciation or amortization generally begins when the asset is placed in service by the taxpayer.[801] Tangible property generally is depreciated under the modified accelerated cost recovery system ("MACRS"), which determines depreciation for different types of property based on an assigned applicable depreciation method, recovery period, and placed in service convention.[802]

Films, videos, and sound recordings

MACRS does not apply to certain property, including any motion picture film, video tape, or sound recording, or to any other property if the taxpayer elects to exclude such property from MACRS and the taxpayer properly applies a unit-of-production method or other method of depreciation not expressed in a term of years.[803] Thus, the recovery of the cost of a film, video tape, sound recording, or similar property that is produced or acquired by the taxpayer may not be determined under either the MACRS depreciation provisions or under the section 197 amortization provisions.[804] The cost recovery of such property is determined under section 167, which allows a depreciation deduction for the reasonable allowance for the exhaustion, wear and tear, or obsolescence of property used in a trade or business or held to produce of income. In addition, the costs of motion picture films, video tapes, sound recordings, copyrights, books, and patents are eligible to be recovered using the income forecast method of depreciation.[805]

Under the income forecast method, a property's depreciation deduction for a taxable year is determined by multiplying the adjusted basis of the property by a fraction, the numerator of which is the gross income generated by the property during the year, and the denominator of which is the total forecasted or estimated gross income expected to be generated prior to the close of the tenth taxable year after the year the property is placed in service. Any costs that are not recovered by the end of the tenth taxable year after the property is placed in service may be depreciated in that year.[806]

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[800] See secs. 263(a) and 167. In general, only the tax owner of property (*i.e.*, the taxpayer with the benefits and burdens of ownership) is entitled to claim tax benefits such as cost recovery deductions with respect to the property. In addition, where property is not used exclusively in a taxpayer's business, the amount eligible for a deduction must be reduced by the amount related to personal use. See, *e.g.*, sec. 280A.

[801] See Treas. Reg. secs. 1.167(a)–10(b), –3, –14, and 1.197–2(f). See also Treas. Reg. sec. 1.167(a)–11(e)(1)(i).

[802] Sec. 168.

[803] Sec. 168(f)(1), (3) and (4).

[804] Under section 197, when a taxpayer acquires intangible assets held in connection with a trade or business, any value properly attributable to a "section 197 intangible" is amortizable on a straight-line basis over 15 years. No other depreciation or amortization deduction (such as bonus depreciation under section 168(k)) is allowable with respect to any section 197 intangible. Section 197 does not apply to certain intangible property, including certain property produced by the taxpayer or any interest in a film, sound recording, video tape, book or similar property not acquired in a transaction (or a series of related transactions) involving the acquisition of assets constituting a trade or business or substantial portion thereof. See sec. 197(c)(2) and (e)(4)(A).

[805] Sec. 167(g)(6).

[806] Sec. 167(g)(1). In general, the adjusted basis of property that may be taken into account under the income forecast method only includes amounts that have been incurred under the eco-

Additional first-year depreciation deduction for certain productions

Under section 168(k), qualified property acquired and placed in service after September 27, 2017, and before January 1, 2023 (January 1, 2024, for longer production period property and certain aircraft), as well as specified plants planted or grafted after September 27, 2017, and before January 1, 2023, is eligible for an additional first-year depreciation deduction equal to 100 percent of the adjusted basis of the property. The 100 percent allowance is phased down by 20 percent per calendar year for qualified property acquired after September 27, 2017, and placed in service after December 31, 2022 (after December 31, 2023, for longer production period property and certain aircraft), as well as specified plants planted or grafted after December 31, 2022. This additional first-year depreciation is commonly referred to as "bonus depreciation."

Qualified property eligible for bonus depreciation under section 168(k) includes qualified film, television, and live theatrical productions placed in service after September 27, 2017, and before January 1, 2027, for which a deduction otherwise would have been allowable under section 181, without regard to the dollar limitation or termination of such section.[807] A qualified production is considered to be placed in service, and thus eligible for bonus depreciation, at the time of initial release, broadcast, or live staged performance.[808]

REASONS FOR CHANGE

The Committee believes that sound recording productions should generally be subject to similar cost recovery tax rules as film productions, television productions, and live theatrical productions. The Committee believes that allowing musicians, songwriters, technicians, and producers to expense their recording costs will support music production in the United States.

EXPLANATION OF PROVISION

The provision expands the special expensing rules for qualified film, television, and live theatrical productions under section 181 to include aggregate qualified sound recording production costs of up to $150,000 per taxable year. A qualified sound recording production is a sound recording (as defined in 17 U.S.C. sec. 101)[809] produced and recorded in the United States. Like qualified film and television productions or qualified live theatrical productions, the section 181 deduction only applies to qualified sound recordings that commence before January 1, 2026. The practical impact is that

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nomic performance requirements of section 461(h). An exception to this rule applies to participations and residuals. Specifically, solely for purposes of computing the allowable deduction for property under the income forecast method of depreciation, participations and residuals may be included in the adjusted basis of the property beginning in the year such property is placed in service (even if economic performance has not yet occurred) if such participations and residuals relate to income to be derived from the property before the close of the tenth taxable year following the year the property is placed in service. For this purpose, participations and residuals are defined as costs the amount of which, by contract, varies with the amount of income earned in connection with such property. See sec. 167(g)(7).

[807] See sec. 168(k)(2)(A)(i)(IV) and (V); Treas. Reg. sec. 1.168(k)–(2)(b)(E) and (F).

[808] See Treas. Reg. sec. 1.168(k)–2(b)(4)(iii).

[809] Sound recordings are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.

only sound recordings that commence in taxable years ending after the date of enactment and before January 1, 2026 will be eligible for the section 181 deduction.

The provision also expands the definition of qualified property eligible for bonus depreciation to include qualified sound recording productions placed in service before January 1, 2029. A qualified sound recording production is placed in service at the time of initial release or broadcast.

EFFECTIVE DATE

The provision applies to productions commencing in taxable years ending after the date of enactment.

MODIFICATIONS TO LOW-INCOME HOUSING CREDIT (SEC. 111109 OF THE BILL AND SEC. 42 OF THE CODE)

PRESENT LAW

A taxpayer may claim the low-income housing credit annually over a 10-year period for the costs of building or rehabilitating rental housing occupied by low-income tenants. To be eligible for the credit, a low-income building must have received a credit allocation from the State or been financed with the proceeds of certain tax-exempt bonds that are subject to the private activity bond volume limit. For any calendar year, the total amount of housing credits available for allocation by a State is limited to the State housing credit ceiling. However, the amount of housing credit allocated to a low-income building reduces the State housing credit ceiling only once, in the year the housing credit is allocated.

State housing credit ceiling

The State housing credit ceiling is an amount equal to the sum of four components: (1) the unused State housing credit ceiling (if any) for the preceding calendar year (the "unused carryforward component"), (2) the population component, (3) the amount of State housing credit ceiling returned in the calendar year (the "returned credit component"), plus (4) the amount (if any) that the Secretary allocates to the State from the national pool of unused housing credits (the "national pool component").[810]

For calendar year 2025, the population component of the State housing credit ceiling is equal to the greater of (1) $3.00 multiplied by the State population or (2) $3,455,000.[811]

Credit calculations

Determination of applicable percentage

The applicable percentage for non-Federally subsidized newly constructed housing and non-Federally subsidized substantial rehabilitation is calculated such that the present value of the credit amounts is at least 70 percent of a building's qualified basis, de-

[810] Sec. 42(h)(3)(C); Treas. Reg. sec. 1.42–14(a)(1).

[811] Rev. Proc. 2024–40. A building does not require an allocation of credits from the credit ceiling if at least 50 percent of the aggregate basis of the building and the land on which the building is located is financed by certain tax-exempt bonds subject to the private activity bond volume limit. Sec. 42(h)(4)(B).

pending on the prevailing interest rate.[812] These credits are sometimes referred to as "nine-percent credits."

The applicable percentage for Federally subsidized newly constructed housing, Federally subsidized substantial rehabilitation, and certain housing acquisition costs, is calculated such that the present value of the credit amounts is at least 30 percent of a building's qualified basis, depending on the prevailing interest rate.[813] These credits are sometimes referred to as "four-percent credits."

Calculation of eligible basis

The qualified basis for purposes of determining the amount of low-income housing credit to be claimed each year is an amount equal to the applicable fraction of eligible basis.[814] The eligible basis of a new building is its adjusted basis as of the close of the first taxable year of the credit period. The eligible basis of an existing building is zero unless the building meets the following requirements: the building is acquired by purchase; there is a period of at least 10 years between the date of its acquisition by the taxpayer and the date the building was last placed in service; the building was not previously placed in service by the taxpayer or a related person; and the building was rehabilitated and is eligible for the low income housing credit for rehabilitation expenditures treated as a separate new building.

Generally, buildings located in certain census tracts and difficult development areas, as designated by the Secretary of Housing and Urban Development, are eligible for increased housing credit.[815] The increase in housing credit is effected by increasing a building's eligible basis from 100 to 130 percent of the otherwise applicable eligible basis (in the case of a new building) or rehabilitation expenditures (in the case of an existing building). A building designated by a State housing credit agency as requiring an increase in credit to be financially feasible is treated as being located in a difficult development area.

Tax-exempt bond-financed buildings

If 50 percent or more of the aggregate basis of the building and the land on which the building is located is financed by the proceeds of tax-exempt bonds, a low-income housing tax credit is allowable with respect to the entire eligible basis of the project without an allocation from the State or local housing credit agency. If less than 50 percent of the aggregate basis is so financed, a low-

[812] See sec. 42(b) and (e). This credit is referred to as the 70-percent credit. See Joint Committee on Taxation, *General Explanation of the Tax Reform Act of 1986* (JCS–10–87), May 4, 1987. This document can be found on the Joint Committee on Taxation website at www.jct.gov. However, under the Housing and Economic Recovery Act of 2008, the minimum applicable percentage for such credits was temporarily set at nine percent (the "nine-percent floor"). The Consolidated Appropriations Act, 2016 made the nine-percent floor permanent. The enactment of the nine-percent floor on the credit implies that, under the statutory formula, the present value is always 70 percent or greater.

[813] This credit is referred to as the 30-percent credit. See Joint Committee on Taxation, *General Explanation of the Tax Reform Act of 1986* (JCS–10–87), May 4, 1987. This document can be found on the Joint Committee on Taxation website at www.jct.gov. However, under the Consolidated Appropriations Act, 2020, the minimum applicable percentage for such credits was set at four percent (the "four-percent floor"). The enactment of the four-percent floor on the credit implies that, under the statutory formula, the present value is always 30 percent or greater.

[814] Sec. 42(c)(1)(A).

[815] Sec. 42(d)(5).

income housing tax credit is allowable only with respect to the portion financed by the proceeds of tax-exempt bonds. The tax-exempt bonds must be subject to the volume cap for private activity bonds and once bond proceeds are used to finance a project, principal payments on such financing must be applied within a reasonable period to redeem the bonds.[816]

REASONS FOR CHANGE

The Committee believes the low-income housing credit plays an important role in encouraging private investment in the creation and preservation of affordable rental housing. As a result, the Committee believes it is important to improve and strengthen the credit. The modifications to the low-income housing credit in the provision provide increased credit amounts through increased overall allocations to State and local allocating agencies and by allowing for increased basis boosts to certain Indian areas and rural areas. Furthermore, the Committee believes that the modification to the tax-exempt bond financing requirement will allow these financing tools to be used more effectively in conjunction with the low-income housing credit for affordable housing projects.

EXPLANATION OF PROVISION

Increase State housing credit ceiling amounts

The provision provides an increase in the State housing credit ceiling for calendar years 2026, 2027, 2028, and 2029. In each of the calendar years, the population component of the State housing credit ceiling (after application of the cost-of-living adjustment) is increased by multiplying the dollar amounts for that year by 1.125.

Modify tax-exempt bond financing requirement

The provision modifies the tax-exempt bond financing requirement to allow additional buildings financed with tax-exempt bonds to qualify for housing credits without receiving a credit allocation from the State housing credit ceiling. As under present law, a building may be allowed four-percent credits without receiving a credit allocation if 50 percent or more of the aggregate basis of the building and the land on which the building is located is financed by the proceeds of one or more tax-exempt bonds. In addition, under the provision, a building may be allowed four-percent credits without receiving a credit allocation if at least 25 percent (rather than 50 percent) of the aggregate basis of the building is financed with one or more qualified obligations, and one or more of such obligations (1) are part of an issue the issue date of which is after December 31, 2025, and (2) provides the financing for at least five percent of the aggregate basis of the building and the land on which the building is located. A qualified obligation is a tax-exempt bond which is part of an issue the issue date of which is before January 1, 2030.

[816] Sec. 42(h)(4)(A).

Temporary inclusion of Indian areas and rural areas as difficult development areas

The provision provides a temporary increase in housing credit by expanding the definition of difficult development areas to include Indian areas and rural areas in the case of buildings place in service after December 31, 2025 and before January 1, 2030. Such buildings are eligible for increased housing credit to be calculated by increasing a building's eligible basis from 100 to 130 percent of the otherwise applicable eligible basis (in the case of a new building) or rehabilitation expenditures (in the case of an existing building).

An Indian area is defined as in section 4(11) of the Native American Housing Assistance and Self Determination Act of 1996 ("NAHASDA")[817] and any housing area as defined in section 801(5) of such Act.[818] A building in an Indian area is treated as being in a difficult development area only if it is assisted or financed under NAHASDA or the project sponsor is an Indian tribe,[819] a tribally designated housing entity[820] or wholly owned or controlled by such an Indian tribe or tribally designated housing entity.

A rural area is defined to be any non-metropolitan area, or any open country, place, town, village, or city which is not part of or associated with an urban area and either has low population or is not contained within a standard metropolitan statistical area and has a serious lack of mortgage credit for lower and moderate-income families, as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development[821] and which is identified by the qualified allocation plan of the housing credit agency.

EFFECTIVE DATE

The increase in State housing ceiling amounts is effective for calendar years after 2025.

The modification of the tax-exempt bond financing requirement is effective for buildings placed in service in taxable years beginning after December 31, 2025. However, in the case of a building with respect to which any expenditures are treated as a separate new building under section 42(e), both the existing building and the separate new building are treated as having been placed in service on the date the expenditures are treated as placed in service under section 42(e)(4).

The temporary inclusion of Indian areas and rural areas as difficult development areas is effective for buildings placed in service after December 31, 2025.

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[817] 25 U.S.C. 4103(11).
[818] 25 U.S.C. 4221(5).
[819] As defined in sec. 45A(c)(6).
[820] As defined in 25 U.S.C. 4103(22).
[821] 42 U.S.C. 1490.

INCREASED GROSS RECEIPTS THRESHOLD FOR SMALL MANUFACTURING BUSINESSES (SEC. 111110 OF THE BILL AND SEC. 448 OF THE CODE)

PRESENT LAW

General rule for methods of accounting

Section 446 generally allows a taxpayer to select the method of accounting to be used to compute taxable income, provided that such method clearly reflects the income of the taxpayer. The term "method of accounting" includes not only the overall method of accounting used by the taxpayer, but also the accounting treatment of any one item.[822] Permissible overall methods of accounting include the cash receipts and disbursements method ("cash method"), an accrual method, or any other method (including a hybrid method) permitted under regulations prescribed by the Secretary.[823] Examples of any one item for which an accounting method may be adopted include cost recovery,[824] revenue recognition,[825] and the timing of deductions.[826] For each separate trade or business, a taxpayer is entitled to adopt any permissible method, subject to certain restrictions.[827]

A taxpayer filing its first return may adopt any permissible method of accounting in computing taxable income for such year.[828] Except as otherwise provided, section 446(e) requires taxpayers to secure the consent of the Secretary before changing a method of accounting. The regulations under this section provide rules for determining: (1) what a method of accounting is, (2) how a method of accounting is adopted,[829] and (3) how a change in method of accounting is effectuated.[830]

Cash and accrual methods

Taxpayers using the cash method generally recognize items of income when actually or constructively received and items of expense when paid. The cash method is administratively easy and provides the taxpayer flexibility in the timing of income recognition. It is the method generally used by most individual taxpayers, including farm and nonfarm sole proprietorships.

In general, taxpayers using an accrual method generally accrue items of income when all the events have occurred that fix the right to receive the income and the amount of the income can be determined with reasonable accuracy.[831] For accrual method taxpayers with applicable financial statements,[832] the accrual of income generally occurs not later than when such amounts are taken into account as revenue in the taxpayer's applicable financial state-

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[822] Treas. Reg. sec. 1.446–1(a)(1).
[823] Sec. 446(c).
[824] See, *e.g.*, secs. 167 and 168.
[825] See, *e.g.*, secs. 451 and 460.
[826] See, *e.g.*, secs. 461 and 467.
[827] Sec. 446(d); Treas. Reg. sec. 1.446–1(d).
[828] Treas. Reg. sec. 1.446–1(e)(1).
[829] See also Rev. Rul. 90–38, 1990–1 C.B. 57 (holding that a taxpayer adopts a method of accounting (1) when it uses a permissible method of accounting on a single tax return, or (2) when it uses the same impermissible method of accounting on two or more consecutive tax returns).
[830] Treas. Reg. sec. 1.446–1(e).
[831] See, *e.g.*, sec. 451.
[832] See sec. 451(b)(3) and Treas. Reg. 1.451–3(a)(5).

ments.[833] Taxpayers using an accrual method of accounting generally may not deduct items of expense prior to when all the events have occurred that fix the obligation to pay the liability, the amount of the liability can be determined with reasonable accuracy, and economic performance has occurred.[834] Accrual methods of accounting generally result in a more accurate measure of economic income than the cash method. The accrual method is often used by businesses for financial accounting purposes.

A C corporation, a partnership that has a C corporation as a partner, or a tax-exempt trust or corporation with unrelated business income generally may not use the cash method. In addition, the cash method generally may not be used if the purchase, production, or sale of merchandise is an income producing factor.[835] Such taxpayers generally are required to keep inventories and use an accrual method with respect to inventory items.[836] Exceptions are made for farming businesses, qualified personal service corporations, and the aforementioned entities to the extent their average annual gross receipts[837] do not exceed $25 million for the three prior taxable-year period (the "$25 million gross receipts test") to use the cash method. Under the $25 million gross receipts test, the cash method of accounting may be used by taxpayers, other than tax shelters, that satisfy the gross receipts test, regardless of whether the purchase, production, or sale of merchandise is an income-producing factor. Aggregation rules apply to determine the amount of a taxpayer's gross receipts under the $25 million gross receipts test.[838] The cash method may not be used by any tax shelter.[839]

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[833] See sec. 451(b) and Treas. Reg. secs. 1.451–1 and 1.451–3.

[834] See, *e.g.*, sec. 461.

[835] Treas. Reg. secs. 1.446–1(c)(2) and 1.471–1.

[836] Sec. 471 and Treas. Reg. secs. 1.446–1(c)(2) and 1.471–1.

[837] For this purpose, gross receipts are taken into account in the taxable year in which they are properly recognized under the taxpayer's method of accounting used in that taxable year. Gross receipts include total sales (net of returns and allowances) and all amounts received for services. In addition, gross receipts include income from investments, income from incidental or outside sources, interest (including original issue discount and tax-exempt interest within the meaning of section 103), dividends, rents, royalties, and annuities, regardless of whether such amounts are derived in the ordinary course of the taxpayer's trade or business. Gross receipts are not reduced by cost of goods sold or by the cost of property sold if such property is described in section 1221(1), (3), (4), or (5). With respect to sales of capital assets as defined in section 1221, or sales of property described in section 1221(2) (relating to property used in a trade or business), gross receipts are reduced by the taxpayer's adjusted basis in such property. Gross receipts do not include the repayment of a loan or similar instrument (*e.g.*, a repayment of the principal amount of a loan held by a commercial lender). Finally, gross receipts do not include amounts received by the taxpayer with respect to sales tax or other similar State and local taxes if, under the applicable State or local law, the tax is legally imposed on the purchaser of the good or service, and the taxpayer merely collects and remits the tax to the taxing authority. If, in contrast, the tax is imposed on the taxpayer under the applicable law, then gross receipts include the amounts received that are allocable to the payment of such tax. See section 448(c)(3)(C) and Treas. Reg. sec. 1.448–1T(f)(2)(iv).

[838] See sec. 448(c)(2).

[839] Secs. 448(a)(3) and (d)(3) and 461(i)(3) and (4). For this purpose, a tax shelter includes: (1) any enterprise (other than a C corporation) if at any time interests in such enterprise have been offered for sale in any offering required to be registered with any Federal or State agency having the authority to regulate the offering of securities for sale; (2) any syndicate (within the meaning of section 1256(e)(3)(B)); or (3) any tax shelter as defined in section 6662(d)(2)(C)(ii). In the case of a farming trade or business, a tax shelter includes any tax shelter as defined in section 6662(d)(2)(C)(ii) or any partnership or any other enterprise other than a corporation which is not an S corporation engaged in the trade or business of farming, (1) if at any time interests in such partnership or enterprise have been offered for sale in any offering required to be registered with any Federal or State agency having authority to regulate the offering of securities for sale, or (2) if more than 35 percent of the losses during any period are allocable to limited partners or limited entrepreneurs. For this purpose, certain holdings held directly by

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A farming business is defined as a trade or business of farming, including operating a nursery or sod farm, or the raising or harvesting of trees bearing fruit, nuts, or other crops, timber, or ornamental trees (other than evergreen trees that are more than six years old at the time they are severed from their roots).[840] Such farming businesses are not precluded from using the cash method regardless of whether they meet the gross receipts test. However, section 447 generally requires a farming C corporation (and any farming partnership if a corporation is a partner in such partnership) to use an accrual method of accounting. Section 447 does not apply to nursery or sod farms, to the raising or harvesting of trees (other than fruit and nut trees), nor to farming C corporations that meet the $25 million gross receipts test.

A qualified personal service corporation is a corporation: (1) substantially all of whose activities involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, and (2) substantially all of the stock of which (by value) is owned by current or former employees performing such services, their estates, or heirs.[841] Qualified personal service corporations are allowed to use the cash method without regard to whether they meet the $25 million gross receipts test.

Accounting for inventories

In general, for Federal income tax purposes, taxpayers must account for inventories if the production, purchase, or sale of merchandise is an income-producing factor to the taxpayer.[842] Treasury regulations also provide that in any case in which the use of inventories is necessary to clearly reflect income, the accrual method must be used with regard to purchases and sales.[843] However, an exception is provided for taxpayers that meet the $25 million gross receipts test.[844] Specifically, taxpayers that meet the $25 million gross receipts test are not required to account for inventories under section 471, but rather may use a method of accounting for inventories that either (1) treats inventories as non-incidental materials and supplies, or (2) conforms to the taxpayer's financial accounting treatment of inventories.[845]

In those circumstances in which a taxpayer is required to account for inventory, the taxpayer must maintain inventory records to determine the cost of goods sold during the taxable period. Cost of goods sold generally is determined by adding the taxpayer's inventory at the beginning of the period to the purchases made during the period and subtracting from that sum the taxpayer's inventory at the end of the period.

Because of the difficulty of accounting for inventories on an item-by-item basis, taxpayers often use conventions that assume certain item or cost flows. Among these conventions are the first-in, first-

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individuals that are attributable to active farm management activities are not treated as being held by a limited partner or a limited entrepreneur.

[840] Secs. 448(d)(1) and 263A(e)(4). See also Treas. Reg. sec. 1.263A–4(a)(5).

[841] Sec. 448(d)(2).

[842] Sec. 471(a) and Treas. Reg. sec. 1.471–1.

[843] Treas. Reg. sec. 1.446–1(c)(2).

[844] Sec. 471(c).

[845] See sec. 471(c) and Treas. Reg. sec. 1.471–1(b).

out ("FIFO") method, which assumes that the items in ending inventory are those most recently acquired by the taxpayer,[846] and the last-in, first-out ("LIFO") method, which assumes that the items in ending inventory are those earliest acquired by the taxpayer.[847]

Uniform capitalization

The uniform capitalization rules require certain direct and indirect costs allocable to real or tangible personal property produced by the taxpayer to be included in either inventory or capitalized into the basis of such property, as applicable.[848] For real or personal property acquired by the taxpayer for resale, section 263A generally requires certain direct and indirect costs allocable to such property to be included in inventory.

Section 263A provides several exceptions to the general uniform capitalization requirements. One such exception exists for any producer or reseller that meets the $25 million gross receipts test.[849] Another exception exists for taxpayers who raise, harvest, or grow trees.[850] Under this exception, section 263A does not apply to trees raised, harvested, or grown by the taxpayer (other than trees bearing fruit, nuts, or other crops, or ornamental trees) and any real property underlying such trees. Similarly, the uniform capitalization rules do not apply to any plant having a preproductive period of two years or less or to any animal, which is produced by a taxpayer in a farming business (unless the taxpayer is required to use an accrual method of accounting under section 447 or 448(a)(3)).[851] Freelance authors, photographers, and artists also are exempt from section 263A for any qualified creative expenses.[852]

Interest limitation

In the case of any taxpayer for any taxable year, the deduction for business interest is limited to the sum of (1) business interest income of the taxpayer for the taxable year, (2) 30 percent of the adjusted taxable income of the taxpayer for the taxable year (not less than zero), and (3) the floor plan financing interest of the taxpayer for the taxable year. The limitation does not apply to any taxpayer (other than a tax shelter prohibited from using the cash method under section 448(a)(3)) that meets the $25 million gross receipts test.

REASONS FOR CHANGE

The Committee is committed to lowering the tax burden on manufacturers and increasing the industrial capacity of the United States. The Committee believes that expanding the availability of the cash method of accounting and other simplified accounting methods for manufacturing taxpayers will help accomplish these

[846] See Treas. Reg. sec. 1.471–2(d).
[847] See sec. 472.
[848] Sec. 263A.
[849] Sec 263A(i).
[850] Sec. 263A(c)(5).
[851] Sec. 263A(d).
[852] Sec. 263A(h). Qualified creative expenses are defined as amounts paid or incurred by an individual in the trade or business of being a writer, photographer, or artist (other than as an employee). However, such term does not include any expense related to printing, photographic plates, motion picture films, video tapes, or similar items.

aims. In addition, the Committee believes that expanding the number of manufacturing taxpayers that are exempt from the section 163(j) limitation on business interest deductibility will further promote these goals.

EXPLANATION OF PROVISION

The provision increases the $25 million threshold of the gross receipts test[853] to $80 million (indexed for inflation)[854] for a manufacturing taxpayer (other than a tax shelter).

A "manufacturing taxpayer" means a corporation or partnership if, during the three taxable year period ending with the taxable year preceding such taxable year, substantially all of the gross receipts of the taxpayer are derived from the lease, rental, sale, license, exchange, or other disposition of "qualified products."

For purposes of the gross receipts test, a qualified product means a product that is (1) any tangible personal property, except any food or beverage prepared in the same building as a retail establishment in which substantially similar property is sold to the public, and (2) produced or manufactured by the taxpayer in a manner that results in a substantial transformation (within the meaning of proposed section 168(n)(2)(D)) of the property comprising the product.

Solely for purposes of determining whether a taxpayer qualifies as a manufacturing taxpayer, the aggregation rules[855] apply, except for purposes of applying rules related to common control under section 52(b), the term trade or business includes any activity involving research or experimentation,[856] any activity in connection with a trade or business, or any activity with respect to which expenses are allowable as a deduction under section 212.[857]

The provision allows a manufacturing taxpayer to qualify for the cash method of accounting if it meets the $80 million gross receipts test. Such a taxpayer may also benefit from the exemptions from the limitation on business interest,[858] uniform capitalization,[859] and accounting for inventories under section 471.[860]

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

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[853] Sec. 448(c)(1).

[854] The gross receipts threshold for a manufacturing taxpayer is adjusted for inflation for taxable years beginning after December 31, 2018.

[855] See secs. 448(c)(2) and 448(c)(3).

[856] See sec. 469(c)(5).

[857] See sec. 469(c)(6). The application of section 469(c)(6) is determined without regard to the phrase "To the extent provided in regulations."

[858] See sec. 163(j)(3).

[859] See sec. 263A(i)(1).

[860] See sec. 471(c)(1).

GLOBAL INTANGIBLE LOW-TAXED INCOME DETERMINED WITHOUT REGARD TO CERTAIN INCOME DERIVED FROM SERVICES PERFORMED IN THE VIRGIN ISLANDS (SEC. 111111 OF THE BILL AND SEC. 951A OF THE CODE)

PRESENT LAW

Global intangible low-taxed income ("GILTI")

A U.S. shareholder of a controlled foreign corporation ("CFC")[861] must include in gross income its GILTI. GILTI is the excess of the shareholder's net CFC tested income over the shareholder's net deemed tangible income return. The shareholder's net deemed tangible income return equals the excess of 10 percent of the aggregate of its pro rata share of the qualified business asset investment ("QBAI") of each CFC over certain interest expense.

The formula for GILTI is:

GILTI = Net CFC Tested Income − [(10% × QBAI) − Interest Expense]

Net CFC tested income means the excess of the aggregate of a U.S. shareholder's pro rata share of the tested income of each CFC over the aggregate of its pro rata share of the tested loss of each CFC.[862] In other words, GILTI is calculated on a worldwide basis.

The tested income of a CFC is the excess of the gross income of the CFC determined without regard to certain amounts that are exceptions to tested income (referred to in this document as "gross tested income") over deductions (including taxes) properly allocable to such gross tested income. The exceptions to tested income are: (1) any effectively connected income described in section 952(b); (2) any gross income taken into account in determining the CFC's subpart F income;[863] (3) any gross income excluded from foreign base company income or insurance income by reason of the high-tax exception under section 954(b)(4);[864] (4) any dividend received from a related person (as defined in section 954(d)(3)); and (5) any foreign oil and gas extraction income (as defined in section 907(c)(1)).

The tested loss of a CFC means the excess of deductions (including taxes) properly allocable to the CFC's gross tested income over the amount of such gross tested income.[865]

Investment incentives in U.S. territories

Federal tax rules apply to the territories in a manner that is different from their application in relation to both the States and for-

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[861] U.S. shareholders are U.S. persons that own at least 10 percent (measured by vote or value) of the stock of a foreign corporation. A CFC generally is any foreign corporation in which U.S. shareholders own (directly, indirectly, or constructively) more than 50 percent of the corporation's stock (measured by vote or value). See secs. 951(b), 957, 958.

[862] Sec. 951A(c)(1). Pro rata shares are determined under subpart F principles (*i.e.*, the rules of section 951(a)(2) and the regulations thereunder).

[863] Earnings of a CFC may constitute income to U.S. shareholders under the traditional anti-deferral regime of subpart F of the Code, which applies to certain passive income and certain other related-party income. Subpart F income is taxed at full rates with related foreign income taxes generally eligible for the foreign tax credit.

[864] In general, if a taxpayer so elects, subpart F income and tested income for purposes of determining GILTI inclusions exclude any item of income if the taxpayer establishes that the income was subject to an effective foreign income tax rate greater than 90 percent of the maximum U.S. corporate income tax rate (*i.e.*, currently greater than 90 percent of 21 percent, or 18.9 percent). See sec. 954(b)(4) and Treas. Reg. secs. 1.954–1(d) and 1.951A–2(c)(7).

[865] For more information, see the description of *Section 111004, Extension of deduction for foreign-derived intangible income and global intangible low-taxed income*.

eign countries. The application of the Federal tax rules to the territories varies from one possession to another. Three territories, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands, are referred to as mirror Code possessions because the Code serves as the internal tax law of those territories (substituting the particular territory for the United States wherever the Code refers to the United States). A resident of one of those territories generally files a single tax return only with the territory of which the individual is a resident, and not with the United States. American Samoa and Puerto Rico, by contrast, are non-mirror Code possessions. These two territories have their own internal tax laws, and a resident of either American Samoa or Puerto Rico may be required to file income tax returns with both the territory of residence and the United States.

Broadly, an individual resident of a territory is exempt from U.S. tax on income that has a source in that territory but is subject to U.S. tax on U.S.-source and non-possession-source income. A corporation that is organized in a territory is generally treated as a foreign corporation for U.S. tax purposes. On the other hand, a number of Code provisions have effect in one or all of the territories as if the territories were States. For example, the tax credit for research and experimentation has been available for research conducted in a territory.

Historically, the Federal tax rules also have included preferences for territory activities. Until its expiration in 2006, the section 936 possession tax credit permitted qualifying U.S. corporations a credit against their U.S. tax liability in respect of possession-source income.[866] After section 936 expired, a similar, temporary provision was enacted for American Samoa activities,[867] and the section 199 domestic production activities deduction was expanded temporarily to include production activities conducted in Puerto Rico. The latter

[866] For taxable years beginning before January 1, 2006, certain domestic corporations with business operations in the U.S. possessions were eligible for the possession tax credit. Secs. 27(b) and 936. This credit offset the U.S. tax imposed on certain income related to operations in the U.S. possessions. Subject to certain limitations, the amount of the possession tax credit allowed to any domestic corporation equaled the portion of that corporation's U.S. tax that was attributable to the corporate taxable income from (1) the active conduct of a trade or business within a U.S. possession, (2) the sale or exchange of substantially all of the assets that were used in such trade or business, or (3) certain possessions investment. No deduction or foreign tax credit was allowed for any possessions or foreign tax paid or accrued with respect to taxable income that was taken into account in computing the credit under section 936. Under the economic activity-based limit, the amount of the credit could not exceed an amount equal to the sum of (1) 60 percent of the taxpayer's qualified possession wages and allocable employee fringe benefit expenses, (2) 15 percent of depreciation allowances with respect to short-life qualified tangible property, plus 40 percent of depreciation allowances with respect to medium-life qualified tangible property, plus 65 percent of depreciation allowances with respect to long-life qualified tangible property, and (3) in certain cases, a portion of the taxpayer's possession income taxes. A taxpayer could elect, instead of the economic activity-based limit, a limit equal to the applicable percentage of the credit that otherwise would have been allowable with respect to possession business income. Beginning in 1998, the applicable percentage was 40 percent.

To qualify for the possession tax credit for a taxable year, a domestic corporation was required to satisfy two conditions. First, the corporation was required to derive at least 80 percent of its gross income for the three-year period immediately preceding the close of the taxable year from sources within a possession. Second, the corporation was required to derive at least 75 percent of its gross income for that same period from the active conduct of a possession business. Sec. 936(a)(2). The section 936 credit was phased out during the 10-year period starting in 1996. During this phase-out period, the Puerto Rico economic activity credit of section 30A was available for trade or business activity in Puerto Rico.

[867] Section 199 was repealed for taxable years beginning after December 31, 2017, by An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. No. 115–97, section 13305, December 22, 2017.

has since expired.[868] At present, there is no economic development credit in the Code applicable only to activities in the U.S. possessions.

REASONS FOR CHANGE

Under Public Law 115–97, the new GILTI regime reduced the effect of certain local incentives in the U.S. Virgin Islands developed to attract new residents and businesses to the territory and to further its economic development. For example, prior to the enactment of the GILTI regime, corporations in the U.S. Virgin Islands could benefit from the U.S. Virgin Islands Economic Development Commission programs without their ten-percent United States shareholders facing any additional U.S. taxes beyond those imposed under the subpart F regime, which protected the viability and complemented the effectiveness of those programs. The Committee believes that the application of the provision to income from certain personal services will encourage the movement of talent and its attendant economic benefits to the U.S. Virgin Islands, as well as increase local employment, by restoring the effectiveness of those economic development benefits, while maintaining what the Committee believes to be an appropriate fiscal balance by limiting the benefits of the provision to certain shareholders.

EXPLANATION OF PROVISION

The provision excludes from the definition of "tested income" in the case of any "specified United States shareholder" any "qualified Virgin Island services income." The provision defines "qualified Virgin Islands services income" as any gross income which is: (i) compensation for labor or personal services performed in the Virgin Islands by a corporation formed under the laws of the Virgin Islands; (ii) attributable to services performed from within the Virgin Islands by individuals for the benefit of such corporation; and (iii) effectively connected with the conduct of a trade or business within the Virgin Islands. A "specified United States shareholder" is a United States shareholder which is: (i) an individual, trust, or estate; or (ii) a closely held C corporation,[869] if such corporation acquired its direct or indirect equity interest in the foreign corporation which derived the qualified Virgin Islands services income before December 31, 2023. The provision directs the Secretary to provide regulations to carry out the provision, including regulations to prevent its abuse.

EFFECTIVE DATE

The provision is effective for taxable years of foreign corporations beginning after the date of enactment, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

[868] Sec. 199(d)(8).
[869] As defined in sec. 469(j)(1).

EXTENSION AND MODIFICATION OF CLEAN FUEL PRODUCTION CREDIT (SEC. 111112 OF THE BILL AND SEC. 45Z OF THE CODE)

PRESENT LAW

Clean fuel production credit

For transportation fuel, the Code provides a business credit, the "Clean Fuel Production Credit." "Transportation fuel" is a fuel suitable for use as a fuel in a highway vehicle or aircraft, that has a lifecycle greenhouse gas emissions rate which is not greater than 50 kilograms of CO_2e per 1 million British Thermal Units ("mmBTU"), and that is not derived from coprocessing an applicable material (or material derived from an applicable material) with a feedstock which is not biomass.[870]

The credit per gallon is the product of (1) the applicable amount per gallon (or gallon equivalent) of transportation fuel produced and sold by the taxpayer under specified circumstances and (2) the emissions factor for such fuel. To qualify for the credit, the transportation fuel must be produced at a qualified facility and sold by the taxpayer to an unrelated person (1) for use by such person in the production of a fuel mixture, (2) for use by such person in a trade or business, or (3) who sells such fuel at retail into the fuel tank of another person.

The "applicable amount" is either a "base amount" or an "alternative amount" depending on whether certain requirements are met. The base amount is 20 cents per gallon for transportation fuel produced at a qualified facility that does not satisfy certain prevailing wage and apprenticeship requirements. For transportation fuel produced at a qualified facility that does satisfy those requirements, the alternative amount is $1.00 per gallon. For transportation fuel that is sustainable aviation fuel, the base amount is 35 cents, and the alternative amount is $1.75. "Sustainable aviation fuel" means liquid fuel, the portion of which is not kerosene, which is sold for use in an aircraft, and which meets the requirements of either ASTM International Standard D7566, or the Fischer Tropsch provisions of ASTM International Standard D1655, Annex A1; and is not derived from palm fatty acid distillates or petroleum.

Fuel must be produced at a qualified facility

A "qualified facility" is a facility used for the production of transportation fuels and does not include any facility for which one of the following credits is allowed under section 38 for the taxable year: section 45V (the credit for production of clean hydrogen), section 46 to the extent that such credit is attributable to the energy credit determined under section 48 with respect to any specified clean hydrogen production facility for which an election has been made under section 48(a)(15), or section 45Q (the credit for carbon oxide sequestration).

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[870] "Applicable material" means monoglycerides, diglycerides, and triglycerides, free fatty acids, and fatty acid esters. The term "biomass" has the same meaning given such term in section 45K(c)(3).

Emissions factor calculation and establishment by the Secretary

The emissions factor of a transportation fuel is an amount equal to the quotient of (1) 50 kilograms of CO_2e per mmBTU minus the emissions rate for such fuel, divided by (2) 50 kilograms of CO_2e per mmBTU.

The Secretary is required to publish a table that sets forth the emission rate for similar types and categories of transportation fuels based on the amount of lifecycle greenhouse gas emissions (as described in section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H)) as in effect on the date of enactment of this section) for such fuels, expressed as kilograms of CO_2e per mmBTU, which a taxpayer shall use for the purposes of this provision.

In the case of transportation fuel that is not sustainable aviation fuel, the lifecycle greenhouse gas emissions of such fuel shall be based on the most recent determinations under the Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation model ("GREET") developed by Argonne National Laboratory, or a successor model (as determined by the Secretary).

In the case of transportation fuel that is sustainable aviation fuel, the lifecycle greenhouse gas emissions of such fuel shall be determined in accordance with (1) the most recent Carbon Offsetting and Reduction Scheme for International Aviation that has been adopted by the International Civil Aviation Organization ("ICAO") with the agreement of the United States, or (2) any similar methodology which satisfies the criteria under section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H)) as in effect on the date of enactment of this provision (August 22, 2022).

The Secretary may round the emissions rates for purposes of the table to the nearest five kilograms of CO_2e per mmBTU. However, in the case of an emissions rate that is between 2.5 kilograms of CO_2e per mmBTU and -2.5 kilograms CO_2e per mmBTU, the Secretary may round such rate to zero.

On January 22, 2025, the IRS published Notice 2025–11, providing initial guidance on emissions rates. The notice contains the initial table of emissions rates for purposes of the credit. The table covers several types of fuels (including pathways and primary feedstock), such as ethanol, biodiesel, renewable diesel, renewable natural gas, propane, naptha, hydrogen, and sustainable aviation fuel. The Argonne National Laboratory developed, and the Department of Energy published, the "45ZCF–GREET" model to determine emissions rates for purposes of the credit.

The determination of emissions rates is calculated using either (1) determinations under the most recent version of the 45ZCF–GREET model or (2) determinations from fuel pathways approved under the most recent CORSIA Default Life Cycle Emissions Values for CORSIA Eligible Fuels lifecycle approach ("CORSIA Default") or the most recent CORSIA Methodology for Calculating Actual Life Cycle Emissions Values lifecycle approach ("CORSIA Actual").

Notice 2025–11 notes that the pathways that use imported used cooking oil will not be available in the 45ZCF–GREET model until the Department of the Treasury and the IRS publish further guidance, such as substantiation and recordkeeping requirements. The Notice expresses concern about the improper identification of a sub-

stance that is not used cooking oil as used cooking oil, the uncertainty of market impacts caused by incentivizing used cooking oil and, with imported used cooking oil in particular, the lack of transparency regarding local sources.

Petition for provisional emissions rate

In the case of any transportation fuel for which an emissions rate has not been established by the Secretary, a taxpayer producing such fuel may file a petition with the Secretary for determination of the emissions rate with respect to such fuel. Notice 2025–11 indicates that the Department of the Treasury and IRS intend to provide guidance related to the petition process at a later date. Until guidance is issued, the IRS will not accept requests for provisional emissions rate determinations and the Department of Energy will not issues emissions values. However, the emissions rate for any new type or category of fuel established on the applicable table or determined through the provisional emissions rate process will apply on January 1, 2025, regardless of when guidance is published establishing such rate.

Inflation adjustment

In the case of calendar years beginning after 2024, the 20-cent amount, $1.00 amount, 35 cent amount and $1.75 amount are adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the sale or use of the transportation fuel occurs. If any amount as increased is not a multiple of one cent, such amount is to be rounded to the nearest one cent. The inflation adjustment factor is the inflation adjustment factor determined and published by the Secretary under the clean electricity production credit (section 45Y), determined by substituting "calendar year 2022" for "calendar year 1992."

Special rules

To be entitled to the clean fuel production credit, the taxpayer must be registered with the IRS as a producer of clean fuel at the time of production.[871] Such fuel must be produced in the United States. In addition, in the case of any transportation that is sustainable aviation fuel, the taxpayer must provide certification (in such form and such manner as the Secretary prescribes) from an unrelated party demonstrating compliance with any general requirements, supply chain traceability requirements, and information transmission requirements established under the Carbon Offsetting and Reduction Scheme for International Aviation or similar methodology which satisfies the criteria under section 211(o)(1)(H) of the Clean Air Act as in effect on the date of enactment of this provision.

In the case of a facility in which more than one person has an ownership interest, except to the extent provided in Treasury regulations, production from such facility shall be allocated among such persons in proportion to their respective ownership interests in the gross sales from such facility.

[871] Notice 2024–49 provides guidance on the clean fuel production credit registration requirements.

Persons shall be treated as related to each other if such persons would be treated as a single employer under the regulations prescribed under section 52(b). In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated return, such corporation shall be treated as selling fuel to an unrelated person if such fuel is sold to such a person by another member of such group.

In the case of estates and trusts, under regulations prescribed by the Secretary, rules similar to the rules of section 52(d) shall apply. In the case of agricultural cooperatives, an election may be made to apportion the credit determined among the patrons of the cooperative on the basis of business done by the patrons during the taxable year.

Prevailing wage and apprenticeship requirements for purposes of the alternative amount

To obtain the alternative amount, the transportation fuel must be produced at a qualified facility that satisfies the prevailing wage and apprenticeship requirements. Rules similar to the rules of section 45(b)(7) (prevailing wage requirements) apply.

A special rule applies for facilities placed in service before January 1, 2025. For those facilities, section 45(b)(7)(A)(i) (related to the construction of such facility) does not apply. In addition, section 45(b)(7)(A)(ii) is to be applied to alteration and repairs of a qualified facility with respect to a taxable year beginning after December 31, 2024, for which a clean fuel production credit is allowed.

Rules similar to section 45(b)(8) (relating to apprenticeship requirements) apply for the purpose of the clean fuel production credit.

Termination

The provision does not apply to transportation fuel sold after December 31, 2027.

REASONS FOR CHANGE

The Committee believes the extension and modification of the clean fuel production credit will support the expansion of American energy. Rural economies will benefit from the further development of the biofuels industry and sustainable aviation fuel that the clean fuel production credit provides. Limiting feedstocks to those produced or grown in the United States, Mexico, and Canada will provide additional support for America's farmers and two of its closest trading partners. The Committee notes that the exact measurement of emissions resulting from indirect land use is difficult to measure and therefore, it is appropriate to exclude any emissions attributed to indirect land use change.

EXPLANATION OF PROVISION

Prohibition on foreign feedstocks

The provision requires that the fuel be derived exclusively from a feedstock produced or grown in the United States, Mexico, or Canada.

Determination of emissions rate

The provision makes two changes with respect to the determination of emissions rate. The provision requires that the lifecycle greenhouse gas emissions are to be adjusted as necessary to exclude any emissions attributed to indirect land use change. Any such adjustment is to be based on regulations or methodologies determined by the Secretary in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Agriculture.

In addition, for transportation fuels that are derived from animal manure, the emission rates table prescribed by the Secretary is to provide a distinct emissions rate with respect to each specific feedstock used to produce such fuel, including dairy manure, swine manure, poultry manure and such other sources as are determined appropriate by the Secretary.

Extension of the clean fuel production credit

The provision extends the clean fuel production credit through December 31, 2031.

Restrictions relating to prohibited foreign entities

If the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)), no clean fuel production credit is allowed under section 38 for any taxable year beginning after the date of enactment. If the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)), no clean fuel production credit is allowed under section 38 for any taxable year beginning two years after the date of enactment.

EFFECTIVE DATE

The prohibition on foreign feedstocks applies to transportation fuel sold after December 31, 2025. The changes with respect to the determination of emission rates applies to emission rates published for taxable years beginning after December 31, 2025. The extension of the clean fuel production credit is effective on the date of enactment. The restrictions relating to prohibited foreign entities apply to taxable years beginning after the date of enactment.

PART III—INVESTING IN THE HEALTH OF RURAL AMERICA AND MAIN STREET

EXPANDING THE DEFINITION OF RURAL EMERGENCY HOSPITAL UNDER THE MEDICARE PROGRAM (SEC. 111201 OF THE BILL)

PRESENT LAW

Medicare's rural emergency hospital (REH) designation, created in 2020, allows rural hospitals on the brink of closure to convert to the reh designation and preserve access to emergency care and certain other outpatient services while receiving more stable reimbursement. Under current law, only certain hospitals that were enrolled in Medicare as of December 27, 2020, are eligible to convert to the reh designation.

REASONS FOR CHANGE

The committee has observed that the reh designation, while helpful in its current form, still remains out of reach for communities that have recently lost their full-service critical access hospital (CAH) or other small hospital. Nearly 100 otherwise eligible rural hospitals closed between January 1, 2014, and December 27, 2020, and, while some of them are permanently closed or have converted to a different provider type, some could reopen and communities can retain access to the most critical emergency care and other needed services.

EXPLANATION OF PROVISION

The provision extends eligibility for the Medicare reh designation to rural facilities that closed between January 1, 2014, and December 26, 2020, with certain reimbursement limitations.

Specifically, the provision creates a "look-back" under which an otherwise qualifying small rural hospital or CAH that closed between January 1, 2014, and December 26, 2020 (one day before the current law threshold) would be eligible to convert to reh status. Additionally, the provision contains guardrails to protect existing hospitals and ensures rehs enrolling under this look-back period engage primarily in emergency services.

EFFECTIVE DATE

This provision is effective January 1, 2027.

SUBTITLE C—MAKE AMERICA WIN AGAIN

PART I—WORKING FAMILIES OVER ELITES

TERMINATION OF PREVIOUSLY-OWNED CLEAN VEHICLE CREDIT (SEC. 112001 OF THE BILL AND SEC. 25E OF THE CODE)

PRESENT LAW

In general

A credit is available for previously-owned clean vehicles (the "previously-owned CV credit") placed in service by a qualified buyer.[872] A "previously-owned clean vehicle" is a motor vehicle with a model year at least two years earlier than the calendar year in which the taxpayer acquires the vehicle, the original use of which commences with a person other than the taxpayer, which has a gross vehicle weight rating of less than 14,000 pounds,[873] which is acquired by the taxpayer in a qualified sale, and that meets certain emissions standards.[874]

A qualified sale is a sale by a dealer[875] that is the first transfer since the date of enactment of this section to a qualified buyer other than the person with whom the original use of such vehicle

[872] Treasury has released final regulations on the previously-owned clean vehicle credit. T.D. 9995, 89 Fed. Reg. 37747, May 6, 2024.

[873] Sec. 25E(c)(1).

[874] Sec. 25E(e).

[875] A dealer is a person licensed by a State, territory of the United States, Indian tribal government, or Alaska Native Corporation to engage in the sale of vehicles. Sec. 30D(g)(8).

commenced.[876] A qualified sale does not include transfers to qualified buyers made after the vehicle has been used and owned by a person other than the person with whom the original use of such vehicle commenced, even if such use and ownership was not by a qualified buyer.[877]

Additionally, a previously-owned clean vehicle must be an electric vehicle or a fuel-cell vehicle that satisfies certain criteria. Specifically, a previously-owned clean vehicle must either (1) be propelled to a significant extent by an electric motor drawing electricity from a battery (a) with at least seven kilowatt-hours of capacity and (b) which is capable of being recharged from an external source of electricity, made by a qualified manufacturer, and with respect to which the person who sells the vehicle provides a report to the taxpayer and Secretary that includes the name and taxpayer identification number of the taxpayer, the vehicle identification number of the vehicle, the battery capacity of the vehicle, and the maximum credit allowable to the taxpayer with respect to the vehicle,[878] or (2) be propelled by power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel stored on board the vehicle and have received certain emissions-standard certification.[879]

A taxpayer must include the vehicle identification number of the vehicle on a tax return to claim the credit.[880]

A qualified buyer is an individual who purchases a vehicle for use and not resale, who cannot be claimed as a dependent, and during the three-year period prior to such purchase, has not made any purchases for which a previously-owned CV credit was claimed.[881]

Previously-owned CV credit amount

The amount of the credit is the lesser of (1) $4,000 or (2) 30 percent of the sale price of the vehicle.[882]

The sale price of a previously-owned clean vehicle purchased by the taxpayer may not exceed $25,000.[883] That is, the credit amount is $0 if the sale price for the vehicle exceeds this amount.

Additionally, no credit is allowed if the taxpayer's income exceeds $150,000 in the case of a joint return or surviving spouse, $112,500 in the case of a head of household, or $75,000 in the case of any other taxpayer.[884] For purposes of this limitation, the taxpayer's income is the lesser of modified AGI of the current taxable year or modified AGI of the preceding taxable year.[885]

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[876] Sec. 25E(c)(2).
[877] Treas. Reg. sec. 1.25E–1(b)(14).
[878] Sec. 25E(c)(1)(D)(i).
[879] Sec. 25E(c)(1)(D)(ii). Fuel cell vehicles must satisfy the requirements of section 30B(b)(3)(A) and (B).
[880] Sec. 25E(d).
[881] Sec. 25E(c)(3).
[882] Sec. 25E(a).
[883] Sec. 25E(c)(2)(B).
[884] Sec. 25E(b).
[885] Modified AGI is AGI increased by any amount excluded from gross income under section 911, 931, or 933. Sec. 25E(b)(3).

Other rules

In general, the credit is available to the vehicle owner, including the lessor of a vehicle subject to lease. A vehicle must be used predominantly in the United States to qualify for the credit and the basis of any qualified vehicle is reduced by the amount of the credit.[886]

Transfer of credit

For vehicles acquired after December 31, 2023, a taxpayer may elect to transfer the credit to an eligible entity under rules similar to those for the transfer of the clean vehicle credit.[887] These rules are explained in the description of present law for the provision "Termination of Clean Vehicle Credit" below.

Expiration

No credit is allowed for any vehicle acquired after December 31, 2032.[888]

REASONS FOR CHANGE

The Committee believes that the repeal of many existing tax incentives, including the credit for previously-owned clean vehicles, makes the tax system simpler and fairer for all taxpayers, and allows for lower tax rates. The Committee further believes that repeal of this provision is consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.

EXPLANATION OF PROVISION

The provision repeals the previously-owned CV credit.

EFFECTIVE DATE

The provision is effective for vehicles acquired after December 31, 2025.

TERMINATION OF CLEAN VEHICLE CREDIT (SEC. 112002 OF THE BILL AND SEC. 30D OF THE CODE)

PRESENT LAW

In general

Present law allows a credit for each new clean vehicle placed in service (the "CV credit").[889] A new clean vehicle is a motor vehicle the original use of which commences with the taxpayer, is acquired for use or lease and not for resale, is made by a qualified manufacturer,[890] has a gross vehicle weight rating of less than 14,000 pounds, is treated as a motor vehicle for purposes of title II of the Clean Air Act, and is propelled to a significant extent by an electric

[886] Secs. 25E(e) and 30D(f).
[887] Sec. 25E(f).
[888] Sec. 25E(g).
[889] Treasury has released final regulations on the clean vehicle credit. T.D. 9995, 89 Fed. Reg. 37754, May 6, 2024.
[890] A qualified manufacturer must be a manufacturer as defined in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. sec. 7521 et seq.) and must provide periodic written reports to the Secretary which include vehicle identification numbers. Sec. 30D(d)(3).

motor drawing electricity from a battery (1) with at least seven kilowatt-hours of capacity and (2) which is capable of being recharged from an external source of electricity.[891] The person who sells the vehicle must provide a report to the taxpayer and Secretary that includes the name and taxpayer identification number of the taxpayer, the vehicle identification number of the vehicle, the battery capacity of the vehicle, verification that original use of the vehicle commences with the taxpayer, and the maximum credit allowable to the taxpayer with respect to the vehicle.[892] A new clean vehicle must have final assembly occur within North America.[893]

New qualified fuel cell motor vehicles[894] which have final assembly within North America and for which sellers provide a report, as described above, are new clean vehicles for purposes of the credit.[895]

Vehicles with any applicable critical minerals in the battery that are extracted, processed, or recycled by a foreign entity of concern that are placed in service after December 31, 2024, or vehicles with any components contained in the battery of the vehicle that are manufactured or assembled by a foreign entity of concern that are placed in service after December 31, 2023 do not qualify for the credit.[896]

CV credit amount

A new clean vehicle is eligible for a maximum credit of up to $7,500 if certain requirements are met. One $3,750 amount is allowed if a critical minerals requirement for the battery is met.[897] Another $3,750 amount is allowed if a battery components requirement is met.[898]

Critical minerals requirement

To satisfy the critical minerals requirement, a new clean vehicle's battery (from which the electric motor draws electricity) must have a percentage of the value of applicable critical minerals[899] that were (1) extracted or processed in the United States or a country that has a free trade agreement with the United States or (2) recycled in North America equal to or greater than an applicable percentage.[900]

For this purpose the applicable percentage is 40 percent for a vehicle placed in service before January 1, 2024. The applicable percentage is 50 percent for a vehicle placed in service during calendar year 2024, 60 percent for 2025, 70 percent for 2026, and 80 percent after 2026.[901]

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[891] Sec. 30D(d)(1).
[892] Sec. 30D(d)(1)(H).
[893] Sec. 30D(d)(1)(G).
[894] As defined in sec. 30B(b)(3).
[895] Sec. 30D(d)(6).
[896] Sec. 30D(d)(7). For a description of the meaning of foreign entity of concern for purposes of section 30D see the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit below.
[897] Sec. 30D(b)(2).
[898] Sec. 30D(b)(3).
[899] Critical minerals as defined in sec. 45X(c)(6).
[900] Sec. 30D(e)(1)(A).
[901] Sec. 30D(e)(1)(B).

Battery components requirement

To satisfy the battery components requirement, a new clean vehicle's battery (from which the electric motor draws electricity) must have a percentage of the value of components that were manufactured or assembled in North America equal to or greater than an applicable percentage.[902]

For this purpose the applicable percentage is 50 percent for a vehicle placed in service before January 1, 2024. The applicable percentage is 60 percent for a vehicle placed in service during calendar year 2024 or 2025, 70 percent for 2026, 80 percent for 2027, 90 percent for 2028, and 100 percent after 2028.[903]

Vehicle price and AGI limitations

The provision requires that the manufacturer's suggested retail price ("MSRP") of a new clean vehicle purchased by the taxpayer not exceed certain limitations. That is, the credit amount is $0 if the MSRP for the vehicle exceeds the applicable limitation. This limitation is $80,000 in the case of a van, sport utility vehicle, or pickup truck, and $55,000 in the case of any other vehicle. The Secretary is directed to release regulations or guidance to characterize vehicles into the appropriate category by applying rules similar to those employed by the Environmental Protection Agency ("EPA") and the Department of Energy to determine vehicle class and size.[904]

Additionally, no credit is allowed if the taxpayer's income exceeds $300,000 in the case of a joint return or surviving spouse, $225,000 in the case of a head of household, or $150,000 in the case of any other taxpayer.[905] For purposes of this limitation, the taxpayer's income is the lesser of modified AGI of the current taxable year or modified AGI of the preceding taxable year.[906]

Transfer of credit

A taxpayer who has purchased or leased a vehicle may elect to transfer the credit to an eligible entity, subject to regulations or guidance the Secretary deems necessary.[907] The eligible entity is then treated as the taxpayer with respect to the credit.[908] The Secretary is directed to establish a program to provide advance payments of these credit amounts to eligible entities.[909] An election to transfer the credit must be made on or before the date of vehicle purchase.[910]

An eligible entity is a dealer[911] which meets the following requirements: First, the dealer must be registered with the Secretary. Second, prior to the election of transfer, the dealer must disclose information to the buyer on the MSRP price of the vehicle,

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[902] Sec. 30D(e)(2)(A).
[903] Sec. 30D(e)(2)(B).
[904] Sec. 30D(f)(11). Treas. Reg. sec. 1.30D–2(b)(56).
[905] Sec. 30D(f)(10).
[906] Modified AGI is AGI increased by any amount excluded from gross income under section 911, 931, or 933. Sec. 30D(f)(10)(C).
[907] Treas. Reg. sec. 1.30D–5.
[908] Sec. 30D(g)(1).
[909] Sec. 30D(g)(7). Treas. Reg. sec. 1.30D–5(f).
[910] Sec. 30D(g)(3).
[911] A dealer is a person licensed by a State, territory of the United States, Indian tribal government, or Alaska Native Corporation to engage in the sale of vehicles. Sec. 30D(g)(8).

value of the credit or other incentives available, and the amount provided by the dealer as a condition of an election to transfer. Third, the dealer must pay the taxpayer for the amount of the credit allowable. Finally, the dealer must ensure that the availability or use of any other available manufacturer or dealer incentive does not limit the ability of the taxpayer to make an election and that the election will not limit the value or use of any such incentive.[912] The Secretary may revoke the registration of dealers that fail to comply with these requirements.[913]

The payment made by dealers to buyers in connection with a credit transfer election is not includable in the gross income of the taxpayer and is not deductible to the dealer.[914]

The tax liability of a taxpayer that does not meet the AGI requirements for the credit, that elects to transfer a credit, and that receives a payment in connection with such credit transfer, is increased by the amount of such payment.[915]

Other rules

A vehicle that is predominantly used outside the United States does not qualify for the credit.[916] A vehicle must meet certain emissions and safety standards in order to qualify for the credit.[917]

The basis of any qualified vehicle is reduced by the amount of the credit.[918] The portion of the credit attributable to vehicles of a character subject to an allowance for depreciation is treated as part of the general business credit; the nonbusiness portion of the credit is allowable to the extent of the excess of the regular tax and the alternative minimum tax (reduced by certain other credits) for the taxable year.[919]

Only one credit is allowed for each vehicle and a taxpayer must include the vehicle identification number of the vehicle on a tax return to claim the credit.[920]

Expiration

No credit is allowed for any vehicle placed in service after December 31, 2032.[921]

REASONS FOR CHANGE

The Committee believes that the repeal of many existing tax incentives, including the credit for new clean vehicles, makes the tax system simpler and fairer for all taxpayers, and allows for lower tax rates. The Committee further believes that repeal of this provision is consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.

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[912] Sec 30D(g)(2).
[913] Sec. 30D(g)(4).
[914] Sec. 30D(g)(5).
[915] Sec. 30D(g)(10).
[916] Sec. 30D(f)(4).
[917] Sec. 30D(f)(7).
[918] Sec. 30D(f)(1).
[919] Sec. 30D(c).
[920] Sec. 30D(f)(8) and (9).
[921] Sec. 30D(h).

EXPLANATION OF PROVISION

For vehicles sold after December 31, 2025, and before January 1, 2027, the provision adds a manufacturer limitation for covered vehicles. For each manufacturer, if a total of 200,000 covered vehicles have been manufactured by such manufacturer and sold for use in the United States after December 31, 2009, and before January 1, 2026, no credit is available for any vehicle manufactured by such manufacturer. Covered vehicles are new qualified plug-in electric drive motor vehicles[922] placed in service before January 1, 2023, and new clean vehicles.

The provision modifies the termination date of the new clean vehicle credit such that no credit is allowed for any vehicle placed in service after December 31, 2026.

EFFECTIVE DATE

The provision is effective for vehicles placed in service after December 31, 2025.

TERMINATION OF QUALIFIED COMMERCIAL CLEAN VEHICLES CREDIT (SEC. 112003 OF THE BILL AND SEC. 45W OF THE CODE)

PRESENT LAW

Present law allows for a credit for qualified commercial clean vehicles placed in service by a taxpayer.[923] A qualified commercial clean vehicle is a vehicle made by a qualified manufacturer,[924] acquired for use or lease by the taxpayer and not for resale, that either (1) is manufactured primarily for use on public streets, roads, and highways,[925] or (2) is mobile machinery,[926] and of a character subject to the allowance of depreciation.[927]

Additionally, a qualified commercial clean vehicle must be an electric vehicle or a fuel- cell vehicle that satisfies certain criteria. Specifically, a qualified commercial clean vehicle must either (1) be propelled to a significant extent by an electric motor drawing electricity from a battery (a) with at least 15 kilowatt-hours of capacity (or seven kilowatt-hours for a vehicle with a gross vehicle weight rating of less than 14,000 pounds) and (b) which is capable of being recharged from an external source of electricity[928] or (2) be propelled by power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hy-

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[922] New qualified plug-in electric drive motor vehicles are defined in section 30D(d)(1) as in effect on December 31, 2022. For a detailed description of prior law section 30D, see the description of the clean vehicle credit in Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 117th Congress* (JCS–1–23), December 21, 2023. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[923] Treasury has released proposed regulations for section 45W. See Notice of Proposed Rulemaking, 90 Fed. Reg. 3506, January 14, 2025. No credit is allowed under section 45W with respect to any vehicle for which a section 45W or section 30D was previously allowed.

[924] Qualified manufacturer has the same meaning as in section 30D. For more detail see the present law description of the clean vehicle credit above.

[925] Vehicles operated exclusively on a rail or rails are excluded.

[926] This is mobile machinery as defined in section 4053(8) and includes vehicles not designed to perform a function of transporting a load over public highways.

[927] Sec. 45W(c).

[928] Sec. 45W(c)(3)(A).

drogen fuel stored on board the vehicle and have received certain emissions-standard certification.[929]

A taxpayer must include the vehicle identification number of the vehicle on a tax return to claim the credit.[930] Only one credit is allowed per vehicle, determined by such vehicle identification number.[931]

A qualified commercial clean vehicle must also meet certain emissions standards to be eligible for a credit.[932]

Qualified commercial clean vehicle credit amount

A qualified commercial clean vehicle qualifies for a credit equal to the lesser of (1) 15 percent of the basis of such vehicle (30 percent if the vehicle is not powered by a gasoline or diesel internal combustion engine) or (2) the incremental cost of the vehicle.[933] The credit is limited to $40,000 ($7,500 for a vehicle with a gross vehicle weight rating of less than 14,000 pounds).[934]

The incremental cost of the vehicle is the amount by which the purchase price of the vehicle exceeds the purchase price of a comparable vehicle (one powered solely by gasoline or a diesel internal combustion engine which is comparable in size and use).[935]

Other rules

The basis of any qualified vehicle is reduced by the amount of the credit.[936] No credit is allowed for any vehicle for which a new clean vehicle credit is allowed.[937]

The requirement that a qualified clean commercial vehicle is of a character subject to the allowance of depreciation does not apply to vehicles that are not subject to a lease and which are placed in service by certain tax-exempt entities.[938]

A vehicle must be used predominantly in the United States to qualify for the credit.[939]

Regulations and guidance

The Secretary is directed to issue regulations or other guidance relating to determining the incremental cost of any qualified commercial clean vehicle in addition those necessary to carry out this provision.[940]

Expiration

No credit is allowed for any vehicle placed in service after December 31, 2032.[941]

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[929] Sec. 45W(c)(3)(B). Fuel cell vehicles must satisfy the requirements of section 30B(b)(3)(A) and (B).
[930] Sec. 45W(e).
[931] Secs. 45W(d)(1) and 30D(f)(8).
[932] Sec. 45W(d)(1).
[933] Sec. 45W(b)(1).
[934] Sec. 45W(b)(4).
[935] Sec. 45W(b)(2) and (3).
[936] Secs. 45W(d)(1) and 30D(f)(1).
[937] Sec. 45W(d)(3).
[938] Sec. 45W(d)(2).
[939] Secs. 45W(d)(1) and 30D(f)(4).
[940] Sec. 45W(f). Treasury has released proposed regulations on determining the incremental cost of a qualified commercial clean vehicle. See Notice of Proposed Rulemaking, 90 Fed. Reg. 3506, January 14, 2025.
[941] Sec. 45W(g).

REASONS FOR CHANGE

The Committee believes that the repeal of many existing tax incentives, including the credit for qualified commercial clean vehicles, makes the tax system simpler and fairer for all taxpayers, and allows for lower tax rates. The Committee further believes that repeal of this provision is consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.

EXPLANATION OF PROVISION

The provision repeals the commercial clean vehicle credit. An exception is provided for vehicles placed in service before January 1, 2033, which are acquired pursuant to a written binding contract entered into before May 12, 2025.

EFFECTIVE DATE

The provision is effective for vehicles acquired after December 31, 2025.

Notice 2025–9 provides a safe harbor for determining the incremental cost of certain qualified commercial clean vehicles. Notice 2025–9, 2025–6 I.R.B. 681, January 15, 2025.

TERMINATION OF ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT (SEC. 112004 OF THE BILL AND SEC. 30C OF THE CODE)

PRESENT LAW

In general

Present law allows a credit of 30 percent of the cost of any qualified alternative fuel vehicle refueling property placed in service that is not depreciable.[942] The credit rate is six percent for any qualified alternative fuel refueling property that is depreciable.

Qualified alternative fuel refueling property is property (not including a building and its structural components) of a character subject to an allowance of depreciation (unless installed on property used as the principal residence of the taxpayer) the original use of which begins with the taxpayer. Additionally, qualified alternative fuel refueling property is property (1) for the storage or dispensing of a clean-burning fuel into the fuel tank of a motor vehicle propelled by such fuel but only if the storage or dispensing of fuel is at the point where such fuel is delivered into the fuel tank of the motor vehicle or (2) for the recharging of motor vehicles propelled by electricity, but only if the property is located at the point where the motor vehicles are recharged.[943]

For this purpose a clean-burning fuel is (1) any fuel which is at least 85 percent by volume of one or more of ethanol, natural gas, compressed natural gas, liquified natural gas, liquified petroleum gas, or hydrogen, (2) any mixture consisting of two or more of biodiesel, diesel fuel, or kerosene and with at least 20 percent volume

[942] Sec. 30C(a).

[943] Secs. 30C(c)(1) and 179A(d), as in effect immediately before repeal by Pub. L. No. 113–295, December 19, 2024.

of biodiesel determined without regard to any kerosene in such mixture, or (3) electricity.[944]

Qualified alternative fuel vehicle refueling property includes property that can charge the battery of a motor vehicle propelled by electricity and allows discharging electricity from such battery to an electric load external to the motor vehicle.[945]

Qualified alternative fuel vehicle refueling property includes depreciable property designed to charge two- and three-wheeled motor vehicles manufactured for primary use on public streets, roads, or highways that are propelled by electricity.[946]

The credit amount per item is limited to $100,000 in the case of depreciable property and $1,000 in any other case.[947]

Location requirements

Qualified alternative fuel vehicle refueling property must not be located in an urban area or must be located in a low-income community.[948] An urban area is a census tract which has been designated as an urban area by the Secretary of Commerce, according to the most recent decennial census.[949] A low-income community is a census tract with either (1) a poverty rate of at least 20 percent or (2) median family income which does not exceed 80 percent of the greater of metropolitan area median family income or statewide median family income (for a nonmetropolitan census tract, generally does not exceed 80 percent of statewide median family income).[950]

Enhanced credit rate where certain prevailing wage and apprenticeship requirements are met

The credit rate is increased to 30 percent for any depreciable qualified alternative fuel refueling property that is part of a qualified alternative fuel vehicle refueling project.[951] A qualified alternative fuel vehicle refueling project is a project (1) that meets certain prevailing wage and apprenticeship requirements or (2) for which the construction begins prior to the date that is 60 days after the Secretary publishes guidance on such requirements.[952] The Secretary is directed to issue regulations or other guidance deemed necessary to administer these requirements.[953]

The prevailing wage requirements are that the taxpayer must ensure that any laborers and mechanics employed by the taxpayer or any contractors or subcontractors in the construction of any qualified alternative fuel vehicle refueling property which is part of a project are paid wages at a rate not less than the prevailing wage rates for construction, alteration, or repair of a similar character in the locality where the project is located as determined by the Sec-

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[944] Sec. 30C(c)(1)(B).
[945] Sec. 30C(c)(2).
[946] Sec. 30C(f).
[947] Sec. 30C(b).
[948] Sec. 30C(c)(3).
[949] Sec. 30C(c)(3)(B)(ii). Treasury has released proposed regulations on section 30C. Under these proposed rules, a "non-urban census tract" means any population census tract in which at least 10 percent of the census blocks are not designated as urban areas by the Census Bureau. See Notice of Proposed Rulemaking, 89 Fed. Reg. 76759, September 19, 2024.
[950] Sec. 30C(c)(3)(B)(i). Low-income community has the same meaning as in section 45D(e).
[951] Sec. 30C(g)(1)(A). A project consists of one or more properties.
[952] Sec. 30C(g)(1)(C).
[953] Sec. 30C(g)(4).

retary of Labor, in accordance with subchapter IV of chapter 31, of title 40, United States Code.[954] Additionally, correction and penalty procedures for failure to satisfy wage requirements, similar to the rules in section 45(b)(7)(B), apply.[955]

The apprenticeship requirements are that generally not less than a certain percentage of total labor hours of the construction, alteration, or repair work (including work performed by any contractor or subcontractor) on a project must be performed by qualified apprentices, similar to the rules of section 45(b)(8).[956]

Other rules

The basis of any qualified alternative fuel refueling property is reduced by the amount of the credit.[957] The portion of the credit attributable to property of a character subject to an allowance for depreciation is treated as part of the general business credit; the nonbusiness portion of the credit is allowable to the extent of the excess of the regular tax and the alternative minimum tax (reduced by certain other credits) for the taxable year.[958]

For qualified property used by certain tax-exempt organizations, governments, or foreign persons and that is not subject to a lease, the seller of the property may claim the credit so long as the seller clearly discloses to the user in a document the amount that is allowable as a credit.[959] Property that is predominantly used outside the United States does not qualify for the credit.[960]

Termination

The credit does not apply to property placed in service after December 31, 2032.

REASONS FOR CHANGE

The Committee believes that the repeal of many existing tax incentives, including the credit for alternative fuel vehicle refueling property, makes the tax system simpler and fairer for all taxpayers, and allows for lower tax rates. The Committee further believes that repeal of this provision is consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.

EXPLANATION OF PROVISION

The provision repeals the alternative fuel vehicle refueling property credit.

EFFECTIVE DATE

The provision is effective for property placed in service after December 31, 2025.

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[954] Sec. 30C(g)(2)(A).
[955] Sec. 30C(g)(2)(B). For more detail explaining such correction and penalties related to the failure to satisfy wage requirements, see the present law description of the clean electricity production credit, below.
[956] Sec. 30C(g)(3). For more detail on apprenticeship requirements, see the present law description of the clean electricity production credit, below.
[957] Sec. 30C(e)(1).
[958] Sec. 30C(d).
[959] Sec. 30C(e)(2).
[960] Sec. 30C(e)(3).

TERMINATION OF ENERGY EFFICIENT HOME IMPROVEMENT CREDIT (SEC. 112005 OF THE BILL AND SEC. 25C OF THE CODE)

PRESENT LAW

A 30-percent credit is available to individuals for amounts paid or incurred for qualified energy efficiency improvements, residential energy property expenditures, and home energy audits.[961]

Qualified energy efficiency improvements

A qualified energy efficiency improvement is any energy efficient building envelope component (1) that is installed in or on a dwelling located in the United States and owned and used by the taxpayer as the taxpayer's principal residence; (2) the original use of which commences with the taxpayer; and (3) that reasonably can be expected to remain in use for at least five years.[962]

Energy efficient building envelope components are building envelope components that meet (1) in the case of an exterior window, a skylight, or an exterior door, the applicable Energy Star program requirements, and (2) in the case of any other component, the prescriptive criteria for such component established by the International Energy Conservation Code ("IECC") standard in effect as of the beginning of the calendar year which is two years prior to the calendar year in which such component is placed in service.[963]

Building envelope components are (1) insulation materials or systems which are specifically and primarily designed to reduce the heat loss or gain for a dwelling when installed in or on such dwelling unit, (2) exterior windows (including skylights); and (3) exterior doors.[964]

Residential energy property expenditures

Residential energy property expenditures are expenditures made by the taxpayer for qualified energy property (1) that is installed on or in connection with a dwelling unit located in the United States that is used as a residence by the taxpayer; and (2) that is originally placed in service by the taxpayer. Residential energy efficiency improvements include both qualified energy property and expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the qualified energy property.[965]

Qualified energy property includes any of the following which meet or exceed the highest efficiency tier (not including any advanced tier) established by the Consortium for Energy Efficiency which is in effect as of the beginning of the calendar year in which the property is placed in service:

- An electric heat pump water heater;
- An electric heat pump;
- A central air conditioner;
- A natural gas, propane, or oil water heater; or

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[961] Sec. 25C. Treasury has released proposed regulations on the energy efficient home improvement credit as modified by Pub. L. No. 117–169, August 16, 2022. See Notice of Proposed Rulemaking, 89 Fed. Reg. 85099, October 25, 2024.

[962] Sec. 25C(c)(1).

[963] Sec. 25C(c)(2).

[964] Sec. 25C(c)(3).

[965] Sec. 25C(d)(1).

• A natural gas, propane, or oil furnace or hot water boiler.[966]

Qualified energy property also includes a biomass stove or boiler which (i) uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and (ii) has a thermal efficiency rating of at least 75 percent (measured by the higher heating value of the fuel).[967]

Additionally, qualified energy property includes oil furnaces and hot water boilers to be qualified energy property.[968] For property placed in service after 2022 and before 2027, an oil furnace or hot water boiler can qualify if it meets or exceeds 2021 Energy Star efficiency criteria, and is rated by the manufacturer for use with fuel blends at least 20 percent of the volume of which consists of an eligible fuel. For such property placed in service after 2026, it can qualify if it achieves an annual fuel utilization efficiency rate of not less than 90, and is rated by the manufacturer for use with fuel blends at least 50 percent of the volume of which consists of an eligible fuel. For this purpose, an eligible fuel means biodiesel and renewable diesel (within the meaning of section 40A) and second generation biofuel (within the meaning of section 40).[969]

Finally, qualified energy property includes any improvement to, or replacement of, a panelboard, sub-panelboard, branch circuits, or feeders that is installed in a manner consistent with the National Electric Code, has a load capacity of at least 200 amps, and is installed in conjunction with (and is necessary for the installation and use of) any qualified energy efficiency improvements or any qualified energy property.[970]

Home energy audits

A home energy audit means an inspection and written report with respect to a dwelling unit located in the United States owned or used by the taxpayer as the taxpayer's principal residence that (1) identifies the most significant and cost-effective energy efficiency improvements with respect to such dwelling unit, including an estimate of the energy and cost savings with respect to each such improvement, and (2) is conducted and prepared by a home energy auditor that meets the certification or other requirements specified by the Secretary.[971]

Limitations

Generally, the credit is available for property placed in service prior to January 1, 2033. The credit has an annual limitation of $1,200.[972] The credit limit with respect to any item of energy property is generally limited to $600. For windows, the limit is $600 for all exterior windows and skylights combined. In the case of doors, the limit is $250 for any exterior door and $500 for all exterior

[966] Sec. 25C(d)(2)(A).
[967] Sec. 25C(d)(2)(B).
[968] Sec. 25C(d)(2)(C).
[969] Sec. 25C(d)(3).
[970] Sec. 25C(d)(2)(D).
[971] Sec. 25C(e). Treasury has released guidance on home energy audits. See Notice 2023–59, 2023–34 I.R.B. 564, August 21, 2023.
[972] Sec. 25C(b).

doors combined. In the case of heat pumps, heat pump water heaters, biomass stoves, and boilers, the annual limit is $2,000 for all such property combined, applied separately from the $1,200 limit described above.[973] The effect of these limits is thus that the maximum possible credit for a taxpayer in a given year is $3,200.

Other rules

The taxpayer's basis in the property is reduced by the amount of the credit.[974] Special proration rules apply in the case of jointly owned property, condominiums, and tenant-stockholders in cooperative housing corporations.[975] If less than 80 percent of the property is used for nonbusiness purposes, only the portion of expenditures that is used for nonbusiness purposes is taken into account.[976]

For purposes of determining the amount of expenditures made by any individual with respect to any dwelling unit, expenditures which are made from subsidized energy financing are not taken into account. The term "subsidized energy financing" means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.[977]

A credit is not allowed with respect to any qualified energy property or exterior window, skylight, or door, unless a unique qualified product identification number, assigned by the product's manufacturer, is included on the return.[978] Omission of such a number is treated as a mathematical or clerical error.[979]

REASONS FOR CHANGE

The Committee believes that the repeal of many existing tax incentives, including the credit for energy efficient home improvements, makes the tax system simpler and fairer for all taxpayers, and allows for lower tax rates. The Committee further believes that repeal of this provision is consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.

EXPLANATION OF PROVISION

The provision repeals the energy efficient home improvement credit.

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[973] Sec. 25C(b)(5).
[974] Sec. 25C(g).
[975] Sec. 25C(f).
[976] Ibid.
[977] Sec. 25C(f)(3).
[978] Sec. 25C(h).
[979] Sec. 6213(g)(2)(S).

EFFECTIVE DATE

TERMINATION OF RESIDENTIAL CLEAN ENERGY CREDIT (SEC. 112006 OF THE BILL AND SEC. 25D OF THE CODE)

PRESENT LAW

In general

An income tax credit is available to individuals for the purchase of qualified solar electric property, qualified solar water heating property, qualified fuel cell property, qualified small wind energy property, qualified geothermal heat pump property, and qualified battery storage technology.[980]

For property placed in service before January 1, 2033, the credit rate is 30 percent of qualifying expenditures. For property placed in service in calendar year 2033, the credit rate is reduced to 26 percent, and for property placed in service in calendar year 2034, the credit rate is reduced to 22 percent. The credit expires for property placed in service after December 31, 2034.

Expenditures for labor costs allocable to onsite preparation, assembly, or original installation of property eligible for the credit, and for piping and wiring to interconnect such property to the dwelling unit, are eligible expenditures.[981]

The credit is nonrefundable, but unused tax credits may be carried forward to future tax years.[982] The credit with respect to all qualifying property may be claimed against the alternative minimum tax.

Qualified property

Qualified solar electric property is property that uses solar energy to generate electricity for use in a dwelling unit located in the United States and used as a residence by the taxpayer.[983] Qualifying solar water heating property is property used to heat water for use in a dwelling unit located in the United States and used as a residence by the taxpayer if at least half of the energy used by such property for such purpose is derived from the sun.[984]

Qualified fuel cell property is a fuel cell power plant which is an integrated system comprised of a fuel cell stack assembly and associated balance of plant components that (1) converts a fuel into electricity using electrochemical means, (2) has an electricity-only generation efficiency of greater than 30 percent, and (3) has a nameplate capacity of at least 0.5 kilowatt of electricity using an electrochemical process.[985] The qualified fuel cell property must be installed on or in connection with a dwelling unit located in the United States and used by the taxpayer as a principal residence. In general, the credit for any fuel cell property may not exceed $500 for each 0.5 kilowatt of capacity.[986]

Qualified small wind energy property is property that uses a wind turbine to generate electricity for use in connection with a

[980] Sec. 25D.
[981] Sec. 25D(e)(1).
[982] Sec. 25D(c).
[983] Sec. 25D(d)(2).
[984] Sec. 25D(d)(1).
[985] Secs. 25D(d)(3) and 48(c)(1).
[986] Sec. 25D(b)(1).

dwelling unit located in the United States and used as a residence by the taxpayer.[987]

Qualified geothermal heat pump property means any equipment which (1) uses the ground or ground water as a thermal energy source to heat the dwelling unit or as a thermal energy sink to cool such dwelling unit, (2) meets the requirements of the Energy Star program which are in effect at the time that the expenditure for such equipment is made, and (3) is installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.[988]

Qualified battery storage technology is battery storage technology having a capacity of at least three kilowatts that is installed in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.[989]

Additional rules

The depreciable basis of the property is reduced by the amount of the credit.[990] Special proration rules apply in the case of jointly owned property, condominiums, and tenant-stockholders in cooperative housing corporations. If less than 80 percent of the property is used for nonbusiness purposes, only that portion of expenditures that is used for nonbusiness purposes is taken into account.[991]

REASONS FOR CHANGE

The Committee believes that the repeal of many existing tax incentives, including the credit for residential clean energy property, makes the tax system simpler and fairer for all taxpayers, and allows for lower tax rates. The Committee further believes that repeal of this provision is consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.

EXPLANATION OF PROVISION

The provision repeals the residential clean energy credit.

EFFECTIVE DATE

The provision is effective for property placed in service after December 31, 2025.

TERMINATION OF NEW ENERGY EFFICIENT HOME CREDIT (SEC. 112007 OF THE BILL AND SEC. 45L OF THE CODE)

PRESENT LAW

The section 45L credit is available to an eligible contractor for each qualified new energy efficient home that is constructed by the eligible contractor and acquired by a person from such eligible contractor for use as a residence during the taxable year.[992] To qualify as a new energy efficient home, the home must be: (1) a dwelling located in the United States, (2) substantially completed after Au-

[987] Sec. 25D(d)(4).
[988] Sec. 25D(d)(5).
[989] Sec. 25D(d)(6).
[990] Sec. 25D(f).
[991] Sec. 25D(e).
[992] Sec. 45L(a).

gust 8, 2005, and (3) certified to meet certain energy saving requirements.[993] As described below, the provision provides for a $2,500 credit for new homes that meet certain energy efficiency standards, but which are not certified zero-energy ready, and a $5,000 credit for new homes that are certified as zero-energy ready homes.[994] For multifamily dwelling units that are part of a building eligible to participate in the Energy Star Multi-family New Construction Program the credit is $500 for new units that meet certain energy efficiency standards, but which are not certified as zero-energy ready, and $1,000 for dwelling units that are certified as zero-energy ready.[995]

For single-family homes, to be eligible for the $2,500 credit, a dwelling unit must meet the following standards, as applicable: (1) in the case of a dwelling unit acquired before January 1, 2025, the Energy Star Single-Family New Homes National Program Requirements 3.1, and (2) in the case of a dwelling unit acquired after December 31, 2024, the Energy Star Single-Family New Homes National Program Requirements 3.2.[996] In addition, such dwelling unit must meet the most recent Energy Star Single-Family New Homes Program Requirements applicable to the location of such dwelling unit (as in effect on the latter of January 1, 2023, or January 1 of two calendar years prior to the date such dwelling unit is acquired). In the case of a manufactured home, a dwelling unit is eligible for the $2,500 credit if it meets the most recent Energy Star Manufactured Home National program requirements as in effect on the latter of January 1, 2023, or January 1 of two calendar years prior to the date such dwelling unit is acquired.

A multifamily dwelling unit is eligible for the $500 credit if such unit (1) meets the most recent Energy Star Multifamily New Construction National Program Requirements (as in effect on the latter of January 1, 2023, or January 1 of three calendar years prior to the date such dwelling unit was acquired), and (2) meets the most recent Energy Star Multifamily New Construction Regional Program Requirements applicable to the location of such dwelling unit (as in effect on the latter of January 1, 2023, or January 1 of three calendar years prior to the date such dwelling unit is acquired).[997]

For the $5,000 credit ($1,000 in the case of multifamily housing), a dwelling unit must be certified as a zero-energy ready home under the zero-energy ready home program of the Department of Energy as in effect on January 1, 2023 (or any successor program determined by the Secretary of the Treasury).[998]

If certain prevailing wage requirements are met, the credit for qualifying multifamily dwelling units is increased to $2,500 per unit for those that are not zero-energy ready and to $5,000 per unit for those that are zero-energy ready.[999] In general, to satisfy the prevailing wage requirements, the taxpayer must ensure that any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in the construction of such residence shall be paid

[993] Sec. 45L(b)(2).
[994] Sec. 45L(a)(2)(A).
[995] Sec. 45L(a)(2)(B).
[996] Sec. 45L(c)(2).
[997] Sec. 45L(c)(3).
[998] Sec. 45L(c)(1)(B).
[999] Sec. 45L(g).

wages at a rate not less than the prevailing wage rates for construction, alteration, or repair of a similar character in the locality as determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31, of title 40, United States Code. Rules similar to the rules set forth in section 45(b)(7)(B) of the renewable electricity production credit apply regarding penalties for failing to satisfy the prevailing wage requirements.

The basis of any property associated with the new energy efficient homes credit is reduced by the amount of any such credit allowed under section 45L. The basis reduction is not taken into account for purposes of determining the amount of the section 42 low-income housing tax credit.

The credit is part of the general business credit. The credit applies to homes that are purchased prior to January 1, 2033.

REASONS FOR CHANGE

The Committee believes that the repeal of many existing tax incentives, including the credit for new energy efficient homes, makes the tax system simpler and fairer for all taxpayers, and allows for lower tax rates. The Committee further believes that repeal of this provision is consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.

EXPLANATION OF PROVISION

The provision generally repeals the new energy efficient home credit for any qualified new energy efficient home acquired after December 31, 2025. In the case of any home for which construction began before May 12, 2025, the provision repeals the credit for homes acquired after December 31, 2026.

EFFECTIVE DATE

The provision is effective for any qualified new energy efficient home acquired after December 31, 2025.

PHASE-OUT AND RESTRICTIONS ON CLEAN ELECTRICITY PRODUCTION CREDIT (SEC. 112008 OF THE BILL AND SECS. 45Y AND 6418 OF THE CODE)

PRESENT LAW

The clean electricity production credit is available with respect to electricity produced by the taxpayer at a qualified facility and sold to an unrelated person during the taxable year.[1000] The credit is also available where such electricity is consumed or stored by the taxpayer during the taxable year and there is no third-party sale, but only if the qualified facility is equipped with a metering device owned and operated by an unrelated person.[1001] The credit is available for electricity produced during the 10-year period beginning when the qualified facility is originally placed in service.[1002] Consumption, sales, or storage are only taken into account with respect

[1000] Sec. 45Y(a)(1).
[1001] *Ibid.*
[1002] Sec. 45Y(b)(1)(B).

to electricity produced within the United States or a possession of the United States.[1003]

The base credit rate is 0.3 cents per kilowatt-hour.[1004] This amount is increased to 1.5 cents per kilowatt-hour for facilities with a maximum output of less than one megawatt of electricity (as measured in alternating current) and for facilities that meet certain prevailing wage and apprenticeship requirements (or for which construction began before January 29, 2023).[1005] These amounts are adjusted for inflation using 1992 as the base year and increased in increments of one-twentieth of a cent for the base credit and one-tenth of a cent for the enhanced credit. The inflation adjustments must be published annually be the Secretary no later than April 1 of each calendar year.

A qualified facility is an electricity generation facility owned by the taxpayer that is placed in service after December 31, 2024, and for which the greenhouse gas emissions rate is not greater than zero.[1006] With respect to a facility placed in service before January 1, 2025, a qualified facility includes new units and additions to capacity placed in service after December 31, 2024.[1007] A qualified facility does not include any facility for which a credit is allowed under sections 45, 45J, 45Q, 45U, 48, 48A, or 48E for the taxable year or any prior taxable year.[1008]

The greenhouse gas emissions rate means the amount of greenhouse gases emitted into the atmosphere by a facility in the production of electricity, expressed as grams of carbon dioxide equivalents per kilowatt-hour ("CO_2e per KWh"; see definitions below for how this is measured).[1009] In the case of a facility which produces electricity through combustion or gasification, the greenhouse gas emissions rate for such facility shall be equal to the net rate of greenhouse gases emitted into the atmosphere by such facility (taking into account lifecycle greenhouse gas emissions, as described in section 211(o)(1)(H) of the Clean Air Act) in the production of electricity, expressed as grams of CO_2e per KWh.[1010]

The provision directs the Secretary to annually publish greenhouse gas emissions rates for types or categories of facilities, for use by taxpayers to determine whether a facility qualifies.[1011] In the case of any facility for which an emissions rate has not been established by the Secretary, a taxpayer which owns such a facility may file a petition with the Secretary for a determination of the emissions rate with respect to such facility.

The amount of greenhouse gases emitted into the atmosphere by a facility in the production of electricity does not include any quali-

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[1003] Sec. 45Y(g)(1).
[1004] Sec. 45Y(a)(2)(A).
[1005] Section 45Y(a)(2)(B)(ii) specifies that a qualified facility that begins construction "prior to the date that is 60 days after the Secretary publishes guidance" with respect to the prevailing wage and apprenticeship requirements receives the increased credit rate. Treasury published such guidance on November 30, 2022, therefore a facility that began construction before January 29, 2023, is treated as satisfying the prevailing wage and apprenticeship requirements. T.D. 9998, 89 Fed. Reg. 53184, June 25, 2024.
[1006] Sec. 45Y(b)(1)(A). This inflation adjustment is calculated using the gross domestic product ("GDP") implicit price deflator for the preceding calendar year compared to the GDP implicit price deflator for the base year.
[1007] Sec. 45Y(b)(1)(C).
[1008] Sec. 45Y(b)(1)(D).
[1009] Sec. 45Y(b)(2)(A).
[1010] Sec. 45Y(b)(2)(B).
[1011] Sec. 45Y(b)(2)(C).

fied carbon dioxide that is captured by the taxpayer and sequestered in secure geological storage under rules similar to the rules applicable under section 45Q(f) or utilized by the taxpayer in a manner described in section 45Q(f)(5).[1012]

The credit is part of the general business credit.

Phaseout of credit

The credit begins to phase out in the "applicable year," which is defined as the later of 2032 or the calendar year in which the Secretary determines that the annual greenhouse gas emissions from the production of electricity in the United States are equal to or less than 25 percent of the annual greenhouse gas emissions from the production of electricity in the United States for calendar year 2022.[1013] The credit is reduced by 25 percent for a facility the construction of which begins during the second calendar year following the applicable year, by 50 percent for a facility the construction of which begins during the third calendar year following the applicable year, and by 100 percent for a facility the construction of which begins during any subsequent calendar year.

Wage and apprenticeship requirements

The prevailing wage and apprenticeship requirements follow a structure similar to that set forth in section 45(b)(7) and 45(b)(8).[1014]

A taxpayer can meet the prevailing wage requirements if it ensures that prevailing wages are paid to any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in the construction of a qualified facility, and for the alteration or repair of such facility during the 10-year credit-eligible production period.[1015] Prevailing wages are wages paid at rates not less than the prevailing wage rates for construction, alteration, or repair of a similar character in the locality as determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31, of title 40, United States Code.[1016]

A taxpayer that fails to pay prevailing wages may bring a facility into compliance with the prevailing wage requirement, and thus remain eligible for the increased credit rate, by paying any affected workers the difference between the actual compensation paid to such workers and the wages required to be paid to those workers to meet prevailing wage requirements, plus any applicable interest.[1017] This amount is multiplied by three in the case of intentional disregard of the requirements. In addition, such taxpayer must pay a penalty to the IRS equal to $5,000 per affected worker. The penalty is increased to $10,000 per affected worker in the case of intentional disregard of the requirements. The deficiency procedures do not apply with respect to the assessment or collection of these penalties, and payment must be made within 180 days of the penalty's determination.

[1012] Sec. 45Y(b)(2)(D).
[1013] Sec. 45Y(d).
[1014] Sec. 45Y(g)(8)–(9).
[1015] Sec. 45(b)(7)(A).
[1016] *Ibid.*
[1017] Sec. 45(b)(7)(B).

To be eligible for the enhanced credit, a taxpayer must also ensure that certain qualified apprenticeship requirements are satisfied by ensuring that not less than 15 percent of the total labor hours of construction, alteration, or repair work on any qualified facility that begins construction after December 31, 2023 are performed by qualified apprentices (including such work performed by any contractor or subcontractor).[1018] Labor hours are the total number of hours devoted to construction, alteration, or repair work by employees of the contractor or subcontractor and excludes certain hours worked by managers, owners, or certain other bona fide executives, administrators, or professionals.[1019] A qualified apprentice is an employee of the contractor or subcontractor who is participating in a registered apprenticeship program.[1020] In addition, the ratio of apprentice-to-journeyworker must meet the standard set by the Department of Labor or applicable State apprenticeship agency.[1021]

Each taxpayer, contractor, or subcontractor who employs four or more individuals to perform construction, alteration, or repair work with respect to the construction of a qualified facility must employ one or more qualified apprentices to perform such work.[1022] Exceptions from these requirements are provided for taxpayers that make a good faith effort to comply with the requirements of the provision by requesting qualified apprentices from a registered apprenticeship program but where such request is denied or where the registered apprenticeship program fails to respond to a request within five business days.[1023]

A taxpayer that fails to satisfy the apprenticeship requirements can come into compliance and thus remain eligible for the increased rate by paying a penalty in the amount of $50 per missing apprenticeship labor hour.[1024] In the case of intentional disregard of the apprenticeship rules, this amount is increased to $500 per labor hour.[1025]

Definitions and guidance

CO_2e per KWh means, with respect to any greenhouse gas, the equivalent carbon dioxide (as determined based on global warming potential) per kilowatt hour of electricity produced.[1026] The term greenhouse gas has the same meaning given such term under section 211(o)(1)(G) of the Clean Air Act, as in effect on the date of the provision's enactment.[1027] Qualified carbon dioxide means carbon dioxide captured from an industrial source which (1) would otherwise be released into the atmosphere as industrial emission of greenhouse gas, (2) is measured at the source of capture and verified at the point of disposal or utilization, and (3) is captured

[1018] Sec. 45(b)(8)(A).
[1019] Sec. 45(b)(8)(E)(i).
[1020] Sec. 45(b)(8)(E)(ii).
[1021] Sec. 45(b)(8)(B).
[1022] Sec. 45(b)(8)(C).
[1023] Sec. 45(b)(8)(D)(ii).
[1024] Sec. 45(b)(8)(D)(i).
[1025] Sec. 45(b)(8)(D)(iii).
[1026] Sec. 45Y(e)(1).
[1027] Sec. 45Y(e)(2).

and disposed or utilized within the United States or a possession of the United States.[1028]

The Secretary is required to issue guidance regarding implementation of the provision no later than January 1, 2025, including guidance on the calculation of greenhouse gas emission rates for qualified facilities and the determination of clean electricity production credits.[1029]

Combined heat and power system property

For purposes of determining the clean electricity production credit, the kilowatt hours of electricity produced by a taxpayer at a qualified facility include any production in the form of useful thermal energy by any combined heat and power system property within such facility, and the amount of greenhouse gases emitted into the atmosphere by such facility in the production of such useful thermal energy is included for purposes of determining the greenhouse gas emissions rate for such facility.[1030] For this purpose the term combined heat and power system property has the same meaning given such term for purposes of the section 48 energy credit, without regard to the sunset date, capacity limitations, or special biomass rule.[1031] The amount of kilowatt-hours of electricity produced in the form of useful thermal energy equals the total useful thermal energy produced by the combined heat and power system property within the qualified facility divided by the heat rate for such facility.[1032] For this purpose, the heat rate means the amount of energy used by the qualified facility to generate one kilowatt-hour of electricity, expressed as British thermal units per net kilowatt-hour generated.[1033]

Energy communities bonus

In the case of any qualified facility which is located in an energy community (as defined in section 45(b)(11)(B)), the credit amount is increased by 10 percent. An energy community is defined as: (1) a brownfield site; (2) a metropolitan statistical area or non-metropolitan area with an unemployment rate at or above the national average for the previous year which has (or had after 2009) 0.17 percent or greater direct employment or 25 percent or greater local tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas; or (3) a census tract (or directly adjoining tract) in which, in the period since 1999, a coal mine has closed, or, in the period since 2009, a coal-fueled power plant has been retired.[1034]

Credit reduced for tax-exempt bonds

The credit is reduced for tax-exempt bonds under rules similar to the rules of section 45(b)(3).[1035] With respect to such bond-financed facilities, the credit is reduced by the lesser of 15 percent

[1028] Sec. 45Y(e)(3).
[1029] See T.D. 10024, 90 Fed. Reg. 4006, January 15, 2025.
[1030] Sec. 45Y(g)(2)(A).
[1031] Sec. 45Y(g)(2)(B).
[1032] Sec. 45Y(e)(2)(C)(i).
[1033] Sec. 45Y(e)(2)(C)(ii).
[1034] Sec. 45(b)(11)(B).
[1035] Sec. 45Y(g)(8).

or a percentage calculated using as the numerator that amount of tax-exempt financing with respect to a facility (for the taxable year and all prior years) and as the denominator the aggregate amount of additions to the capitol account for such facility (for the taxable year and all prior years).[1036] For purposes of this calculation, the numerator includes bond proceeds that are used for capital expenditures of qualified facilities but does not include proceeds that are used for other purposes, such as reserve funds.

Domestic content bonus

The credit is increased by 10 percent (calculated without regard to the energy communities bonus) if certain domestic content requirements are met.[1037] To meet these requirements, a taxpayer must certify to the Secretary that any steel, iron, or manufactured product which is a component of a qualified facility (upon completion of construction) was produced in the United States.[1038]

For purposes of steel and iron, this requirement shall be applied consistent with section 661.5 of title 49, Code of Federal Regulations.[1039]

Manufactured products which are components of qualified facilities are deemed to have been produced in the United States if not less than the adjusted percentage of the total costs of all manufactured products of such facility are attributable to manufactured products (including components) which are mined, produced, or manufactured in the United States.[1040] Except with respect to offshore wind facilities, the percentage is 40 percent for a facility the construction of which begins before January 1, 2025, 45 percent for a facility the construction of which begins in calendar year 2025, 50 percent for a facility the construction of which begins in calendar year 2026, and 55 percent for a facility the construction of which begins after December 31, 2026.[1041] For offshore wind facilities, the percentage is 20 percent for a facility the construction of which begins before January 1, 2025, 27.5 percent for a facility the construction of which begins in calendar year 2025, 35 percent for a facility the construction of which begins in calendar year 2026, 45 percent for a facility the construction of which begins in calendar year 2027, and 55 percent for a facility the construction of which begins after December 31, 2027.[1042]

Reduction of elective payment if domestic content rules are not satisfied

Under section 6417, certain taxpayers may elect to have the credit paid directly to the extent there is insufficient tax liability to absorb the credit (see "Elective payment for applicable credits" below). The amount of this direct payment is reduced if the domestic content requirements described above for the bonus credit are

[1036] Sec. 45(b)(3).
[1037] Sec. 45Y(g)(11)(A).
[1038] Sec. 45Y(g)(11)(B)(i); see Notice 2025–8, 2025–8 I.R.B. 800, February 18, 2025.
[1039] Sec. 45Y(g)(11)(B)(ii).
[1040] Sec. 45Y(g)(11)(B)(iii).
[1041] Sec. 45Y(g)(11)(C)(i).
[1042] Sec. 45Y(g)(11)(C)(ii).

not satisfied.[1043] This reduction applies only to facilities having a maximum net output of at least one megawatt (as measured in alternating current).[1044] The payment is reduced by 10 percent if construction of the facility begins in calendar year 2024, by 15 percent if construction the facility begins in calendar year 2025, and by 100 percent if the construction of the facility begins after December 31, 2025.[1045]

An exception applies if the Secretary determines that the inclusion of steel, iron, or manufactured products which are produced in the United States increases the overall costs of construction of qualified facilities by more than 25 percent, or if the relevant steel, iron, or manufactured products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality.[1046]

Special rules

In the case of a qualified facility in which more than one person has an ownership interest, except to the extent provided in regulations prescribed by the Secretary, production from the facility shall be allocated among such persons in proportion to their respective ownership interests in the gross sales from such facility.[1047]

Persons shall be treated as related to each other if such persons would be treated as a single employer under the regulations prescribed under section 52(b).[1048] In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated return, such corporation shall be treated as selling electricity to an unrelated person if such electricity is sold to such a person by another member of such group.[1049]

Elective payment of applicable credits

In general In the case of an applicable entity making an election (at such time and in such manner as the Secretary may provide [1050]) with respect to any applicable credit determined with respect to such entity, such entity is treated as making a payment against the tax imposed by subtitle A of the Code (for the taxable year with respect to which such credit was determined) equal to the entire amount of such credit (a "direct payment").[1051]

The applicable credits are: (1) the business credit portion of the alternative fuel vehicle refueling property credit,[1052] (2) the renewable electricity production credit (to the extent attributable to qualified facilities originally placed in service after December 31, 2022),[1053] (3) the carbon oxide sequestration credit (to the extent attributable to carbon capture equipment which is originally placed in service after December 31, 2022),[1054] (4) the zero-emission nu-

[1043] Sec. 45Y(g)(12)(B)(i).
[1044] Sec. 45Y(g)(12)(B)(ii).
[1045] Sec. 45Y(g)(12)(C).
[1046] Sec. 45Y(g)(12)(D).
[1047] Sec. 45Y(g)(3) and Treas. Reg. sec. 1.45Y–4(b).
[1048] Sec. 45Y(g)(2).
[1049] Sec. 45Y(g)(4).
[1050] Treas. Reg. 1.6417–2.
[1051] Sec. 6417(a). Because the payment is treated as a payment against tax, it is not income for income tax purposes.
[1052] Sec. 30C.
[1053] Sec. 45.
[1054] Sec. 45Q.

clear power production credit,[1055] (5) the clean hydrogen production credit (to the extent attributable to qualified clean hydrogen production facilities that are originally placed in service after December 31, 2012),[1056] (6) in the case of a tax-exempt entity described in clause (i), (ii), or (iv) of section 168(h)(2)(A), the credit for qualified commercial vehicles determined under section 45W by reason of subsection (d)(2) thereof, (7) the credit for advanced manufacturing production,[1057] (8) the clean electricity production credit,[1058] (9) the clean fuel production credit,[1059] (10) the energy credit,[1060] (11) the qualifying advanced energy project credit,[1061] and (12) the clean electricity investment credit.[1062]

In general, an applicable entity is (1) any tax-exempt organization, (2) any State or political subdivision thereof,[1063] (3) the Tennessee Valley Authority, (4) any Indian tribal government,[1064] (5) any Alaska Native Corporation, or (6) any corporation operating on a cooperative basis which is engaged in furnishing electric energy to persons in rural areas.[1065] With certain limitations, entities not included in this list ("nonlist entities") may make an election and be treated as an applicable entity with respect to the section 45V qualified clean hydrogen production credit, the section 45Q carbon oxide sequestration credit, and the section 45X advanced manufacturing production credit. No election by a taxpayer that is a nonlist entity may be made with respect to any taxable year beginning after December 31, 2032.

An election with respect to sections 45V, 45Q, and 45X by a taxpayer that is a nonlist entity generally remains in effect for the election year and for each of the four succeeding taxable years ending before January 1, 2033.[1066] A taxpayer may prospectively revoke this election one time during that period but may not subsequently re-elect.

Special rules

In the case of an applicable credit determined with respect to any facility or property held directly by a partnership or S corporation, the election is made at the partnership level or by the S corporation, in such manner as the Secretary may provide.[1067] In the event of such an election, any amount received by a partnership or S corporation as an elective payment is treated as tax-exempt income for purposes of sections 705 and 1366, and a partner's distributive share of such tax-exempt income is based on such partner's distributive share of the otherwise applicable credit for each taxable year.

[1055] Sec. 45U.
[1056] Sec. 45V.
[1057] Sec. 45X.
[1058] Sec. 45Y.
[1059] Sec. 45Z.
[1060] Sec. 48.
[1061] Sec. 48C.
[1062] Sec. 48E.
[1063] Eligible entities include State agencies and instrumentalities. Treas. Reg. sec. 1.6417–1(c)(7).
[1064] As defined in sec. 30D(g)(9).
[1065] Sec. 6417(d)(1).
[1066] Sec. 6417(d)(1)(B), (C), and (D) and Treas. Reg. sec. 1.6417–2.
[1067] Sec. 6417(c) and Treas. Reg. sec. 1.6417–4.

Limitations in section 50(b)(3) and (4)(A)(i), relating to property used by tax-exempt and government entities, do not apply with respect to any applicable credit for which an election for a direct payment has been made. In addition, any such property is treated as used in a trade or business of the applicable entity.[1068]

An election by a taxpayer must generally be made by the due date (including extensions of time) for the tax return for the taxable year for which the election is made, but in no event earlier than 180 days after the date of enactment of the provision.[1069] In the case of any government or political subdivision for which no return is required, the Secretary has determined that the appropriate date is the 15th day of the fifth month after the end of the taxable year.[1070]

For the section 45 renewable electricity production credit, the section 45Q credit for carbon oxide sequestration, the section 45V credit for clean hydrogen production, and the section 45Y clean electricity production credit, any election for a direct payment is applied separately with respect to each qualified facility.

As a condition of, and prior to, any amount being treated as a payment which is made by an applicable entity under the provision, the Secretary may require such information or registration as the Secretary deems necessary for purposes of preventing duplication, fraud, improper payments, or excessive payments under this section.[1071]

Excessive payments are subject to recapture and penalty, in the absence of reasonable cause. An excessive payment is, generally, the excess of the amount of the direct payment over the amount of the credit which would otherwise be allowable for the taxable year.[1072] In the case of an excessive payment, the tax is increased in the year in which the Secretary makes a determination that an excessive payment exists.[1073]

In general, if a nonlist entity makes an election for a direct payment no election may be made to transfer the credits under the rules described below.

If an election is made for a direct payment, the underlying applicable credit for which an election is made is reduced to zero and, for any other Code purposes, is deemed allowed to such entity for the taxable year.[1074] In other words, the credit determined with respect to the applicable entity is treated as a credit for all purposes, but after it is applied against income tax liability, it is reduced to zero to prevent any double benefit (such as claiming the credit twice).

The direct payment rules do not apply to any possession of the United States with a mirror code tax system unless the possession elects to have them apply.[1075]

[1068] Sec. 6417(d)(2).

[1069] Sec. 6417(d)(3)(A)(i)(II). The Joint Committee on Taxation's refund review function only applies with respect to income taxes that have been assessed. For this reason, direct payments with respect to elections made on originally filed returns are not subject to review by the Joint Committee under section 6405.

[1070] Sec. 6417(d)(3)(A)(i)(I) and Treas. Reg. sec. 1.6417–2(b)(3)(i).

[1071] For such requirements see Treas. Reg. sec. 1.6417–5.

[1072] Sec. 6417(d)(6).

[1073] Treas. Reg. sec. 1.6417–6(a).

[1074] Sec. 6417(e).

[1075] Sec. 6417(f).

Rules similar to the rules of section 50 apply, without regard to certain limitations applicable to government and tax-exempt entities.[1076]

Beginning in fiscal year 2023 and each fiscal year thereafter, the portion of any payment for which a direct payment election has been made, or any amount treated as a such a payment and that is direct spending is increased by 6.0445 percent.[1077] This is intended to offset any reduction due to Federal budget sequestration.

Transfer of certain credits

In general

An eligible taxpayer may elect to transfer all or a portion of an eligible credit determined with respect to such taxpayer for any taxable year to an unrelated taxpayer (the "transferee taxpayer").[1078] Payments to the taxpayer by the transferee taxpayer must be made in cash. Such payments are not includible in the gross income of the taxpayer nor are they deductible by the transferee taxpayer.[1079] The transferee taxpayer has no basis in any transferred credit, and the fact that the credit amount may exceed the transfer payment does not give rise to any income to the transferee. Such payments are similarly ignored when determining the existence or character of income for other tax purposes. Taxpayers may only transfer credits to which they are entitled, after the application of any limitations (such as the limitation on projects financed by tax-exempt bonds).

The list of eligible credits is the same as the list of applicable credits under the direct payment rules described above, except for the credit for qualified commercial vehicles determined under section 45W by reason of subsection (d)(2) thereof.[1080] An eligible credit does not include any business credit carryforward or business credit carryback.[1081] In the case of an eligible credit under sections 45, 45Q, 45V, and 45Y, an election may be made separately with respect to each facility for which such credit is determined and for each taxable year during the 10-year period beginning on the date such facility was originally placed in service (or in the case of a credit under section 45Q, the 12-year period beginning on the date the carbon capture equipment was originally placed in service at such facility).[1082]

An eligible taxpayer is any taxpayer other than a tax-exempt organization, a State or political subdivision thereof, the Tennessee Valley Authority, an Indian tribal government, an Alaska Native Corporation, or a corporation operating on a cooperative basis which is engaged in furnishing electric energy to persons in rural areas.[1083]

In the case of any facility or property held directly by a partnership or S corporation, a credit transfer election must be made at the partnership or S corporation level. If a partnership or S cor-

[1076] Sec. 6417(g).
[1077] Pub. L. No. 117–169, sec. 13801(f), August 16, 2022.
[1078] Sec. 6418(a).
[1079] Sec. 6418(b).
[1080] Sec. 6418(f)(1)(A).
[1081] Sec. 6418(f)(1)(C).
[1082] Sec. 6418(f)(1)(B).
[1083] Sec. 6418(f)(2); see also sec. 6417(d)(1)(A).

poration makes an election to transfer credits under the provision, any amount received as consideration for a transfer described is treated as tax-exempt income for purposes of sections 705 and 1366, and a partner's distributive share of such tax-exempt income is based on such partner's distributive share of the otherwise eligible credit for each taxable year.[1084]

Transferred credits must be taken into account in the first taxable year of the transferee taxpayer ending with, or after, the taxable year of the eligible taxpayer with respect to which the credit was determined.[1085]

An election to transfer any portion of an eligible credit must be made not later than the due date (including extensions of time) for the tax return for the taxable year for which the credit is determined, but in no event earlier than 180 days after the date of the enactment of the provision. Any such election, once made, is irrevocable and no additional election may be made by a transferee taxpayer with respect to any credits received under the provision.[1086]

Special rules

As a condition of, and prior to, any transfer of any portion of an eligible credit, the Secretary may require such information (including, in such form or manner as is determined appropriate by the Secretary, such information returns) or registration as the Secretary deems necessary for purposes of preventing duplication, fraud, improper payments, or excessive payments under this section.[1087]

Absent reasonable cause, in the event of an excessive credit transfer, the transferee taxpayer is liable for tax in the amount of the excessive credit transfer plus 20-percent penalty. For this purpose, an excessive credit transfer is, generally, the excess of the amount of the credit claimed by the transferee taxpayer over the amount of the credit which would otherwise be allowable for the taxable year without the application of section 6418 (in other words, the amount of the credit properly determined with respect to such facility or property for such taxable year in the hands of the eligible taxpayer).[1088]

In the case of transferred credits associated with investment credit property, the basis of such property must be reduced under the rules of section 50. In addition, if, during any taxable year, the underlying property that gave rise to a transferred credit is disposed of or otherwise ceases to be investment credit property with respect to the eligible taxpayer before the close of the section 50 recapture period, such eligible taxpayer must notify the transferee taxpayer of the recapture event and the transferee taxpayer must notify the eligible taxpayer of the recapture amount. The transferee, filling in as the taxpayer once the transfer is complete, is responsible for any amounts subject to recapture.[1089]

[1084] Sec. 6418(c).
[1085] Sec. 6418(d).
[1086] Sec. 6418(e).
[1087] Sec. 6418(g)(1) and Treas. Reg. sec. 1.6418–4.
[1088] Sec. 6418(g)(2) and Treas. Reg. sec. 16418–5.
[1089] Sec. 6418(g)(3).

No transfer election may be made with respect to progress expenditures.[1090]

Foreign Entity of Concern

In general

There are two credits in the Code that have restrictions related to foreign entities of concern, the clean vehicle credit (section 30D) and the advanced manufacturing investment credit (section 48D).

Under section 30D, vehicles with any applicable critical minerals in the battery that are extracted, processed, or recycled by a foreign entity of concern [1091] that are placed in service after December 31, 2024, or vehicles with any components contained in the battery of the vehicle that are manufactured or assembled by a foreign entity of concern that are placed in service after December 31, 2023, do not qualify for the clean vehicle credit.[1092]

Under section 48D a taxpayer that is a foreign entity of concern [1093] is not allowed to claim the advanced manufacturing investment credit.[1094]

For both purposes a foreign entity of concern is defined as a foreign entity that is (1) designated as a foreign terrorist organization by the Secretary of State, (2) included on the list of specially designated nationals and blocked persons maintained by the Office of Foreign Assets Control of the Department of the Treasury ("SDN list"), (3) owned by, controlled by, or subject to the jurisdiction or direction of the government of a foreign country that is a covered nation,[1095] (4) alleged by the Attorney General to have been involved in activities for which a conviction was obtained under certain laws, or (5) determined by the Secretary,[1096] in consultation with the Secretary of Defense and the Director of National Intelligence, to be engaged in unauthorized conduct that is detrimental to the national security or foreign policy of the United States.

Clean Vehicle Credit

Treasury regulations provide that guidance promulgated by the Department of Energy on foreign entity of concern applies for purposes of the clean vehicle credit.[1097] This guidance includes interpretations of the terms "foreign entity," "government of a foreign country," "subject to the jurisdiction," and "owned by, controlled by, or subject to the direction," used in the definition of foreign entity of concern described above.

[1090] Sec. 6418(g)(4).

[1091] Foreign entity of concern as defined in 42 U.S.C. sec. 18741(a)(5).

[1092] Sec. 30D(d)(7). For a description of 30D see the description of the clean vehicle credit above.

[1093] Foreign entity of concern as defined in section 9901(8) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021.

[1094] Sec. 48D(c)(1). For a detailed description of section 48D see the description of the advanced manufacturing investment credit in Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 117th Congress* (JCS–1–23), December 21, 2023.

[1095] 10 U.S.C. sec. 4872(f)(2). Covered nation means the Democratic People's Republic of North Korea, the People's Republic of China, the Russian Federation, and the Islamic Republic of Iran.

[1096] For the purposes of the foreign entity of concern definition used in section 48D, "the Secretary" refers to the "Secretary of Commerce." William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116–283, sec. 9901(12), January 1, 2021. For the purposes of the foreign entity of concern definition used in section 30D, "the Secretary" refers to the "Secretary of Energy." 42 U.S.C. sec. 18701(3).

[1097] Treas. Reg. sec. 1.30D–2(b)(24) and 89 Fed. Reg. 37079, May 6, 2024.

A foreign entity is: (1) a government of a foreign country; (2) a natural person who is not a lawful permanent resident or citizen of the U.S. or any other protected individual; (3) a partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country; or (4) an entity organized under the laws of the U.S. that is owned by, controlled by, or subject to the direction of an entity described in (1)–(3).

A government of a foreign country is: (1) a national of subnational government of a foreign country; (2) an agency or instrumentality of a national or subnational government of a foreign country; (3) a dominant or ruling political party of a foreign country; or (4) a current or former senior foreign political figure.

A foreign entity is subject to the jurisdiction of a covered nation government if (1) the foreign entity is incorporated or domiciled in, or has its principal place of business in a covered nation or (2) the foreign entity engages in the extraction, processing, or recycling of critical minerals, the manufacturing or assembly of components, or the processing of materials for batteries used to power the electric motor of new clean vehicles.

An entity is considered to be owned by, controlled by, or subject to the direction of another entity if (1) 25% or more of the entity's board seats, voting rights, or equity interests are cumulatively held by that other entity, whether directly or indirectly or (2) the entity has entered into a licensing agreement or other contract with another entity that entitles the entity to exercise effective control over the extraction, processing, recycling, manufacturing, or assembly of the critical minerals, battery components, or battery materials attributed to the entity.[1098]

For the definition of foreign entity of concern, the Secretary of Energy makes the determination of engagement in unauthorized conduct detrimental to the national security or foreign policy of the United States for the clean vehicle credit.

Advanced manufacturing investment credit

Treasury regulations provide that foreign entity of concern has the same meaning as under regulations issued for Title 15 of the U.S. Code for purposes of the advanced manufacturing investment credit.[1099]

A person is considered to be owned by, controlled by, or subject to the jurisdiction or direction of a government of a covered nation if (1) the person is a citizen, national, or resident of a covered nation and located in a covered nation, (2) the person is organized under the laws or has its principal place of business in a covered nation, (3) 25 percent of more of the person's outstanding voting interest, board seats, or equity interests is directly or indirectly held by a covered nation, or (4) 25 percent or more of the person's outstanding voting interest, board seats, or equity interests is held directly or indirectly by any combinations of persons described in (1)–(3).[1100]

[1098] 89 Fed. Reg. 37079, May 6, 2024.
[1099] Treas. Reg. sec. 1.48D–2(f)(2) and 15 C.F.R. sec. 231.104.
[1100] 15 C.F.R. sec. 231.104(c)(1).

REASONS FOR CHANGE

The Committee believes that the Internal Revenue Code should not provide tax benefits to certain types of energy projects over others. The Committee believes that phasing out the credit earlier will promote horizontal equity in the tax treatment of energy projects.

The Committee believes that prohibited foreign entities should not directly or indirectly benefit from U.S. energy tax incentives. Therefore, the Committee believes it is appropriate to disallow the credit if the taxpayer is a specified foreign entity or foreign-influenced entity, uses material assistance from a prohibited foreign entity in the construction of their facility, or makes certain payments in excess of specified thresholds to prohibited foreign entities.

The Committee notes that unlike other business credits, the energy tax credits are given preferential treatment in the Code through the ability to transfer credits to unrelated taxpayers. The Committee believes that tax credits generally should be limited to the taxpayer that engaged in the activity giving rise to the credit. Therefore, the Committee believes it is appropriate to repeal the ability to transfer tax credits to unrelated taxpayers. As some taxpayers may have factored the use of transferability into their near-term investment decisions, the Committee believes it is appropriate to terminate transferability for facilities that begin construction more than two years after the date of enactment.

EXPLANATION OF PROVISION

Clean Electricity Production Credit

Phase-out percentage

The provision modifies the phaseout of the clean electricity production credit. The credit is reduced by 20 percent for facilities placed in service during calendar year 2029, by 40 percent for facilities placed in service during calendar year 2030, by 60 percent for facilities placed in service during calendar year 2031, and by 100 percent for a facility placed in service after December 31, 2031.

Restrictions related to prohibited foreign entities

Under the provision, a "qualified facility" does not include any facility that begins construction after the date that is one year after the date of enactment if the construction of the facility includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52).

The provision disallows any credit for any taxable year beginning after the date of enactment if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

The provision disallows any credit for any taxable year beginning after the date that is two years after the date of enactment if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).

No credit is allowed for any taxable year beginning after the date that is two years after the date of enactment if the taxpayer makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount (1) to a prohibited foreign entity in an amount

equal to or greater than five percent of such total payments made by the taxpayer related to the production of electricity during the taxable year or (2) to more than one prohibited foreign entity in an amount that, in aggregate, is equal to or greater than 15 percent of such payments related to the production of electricity made by the taxpayer during the taxable year.

Repeal of transferability

The provision terminates transferability of the credit for facilities that begin construction after the date that is two years after the date of enactment.

Prohibited Foreign Entity

In general

The provision expands upon the concept of foreign entity of concern and defines several new categories of entities, which are used for new requirements for certain energy-related tax benefits.[1101]

A prohibited foreign entity[1102] is an entity that is a specified foreign entity[1103] or a foreign-influenced entity.[1104]

Specified foreign entity

A specified foreign entity is: (1) a foreign entity that is designated as a foreign terrorist organization by the Secretary of State;[1105] (2) a foreign entity that is included on the list of specially designated nationals and blocked persons maintained by the Office of Foreign Assets Control of the Department of the Treasury ("SDN list");[1106] (3) a foreign entity that is alleged by the Attorney General to have been involved in activities for which a conviction was obtained under certain laws;[1107] (4) a foreign entity that is determined by the Secretary of Commerce, in consultation with the Secretary of Defense and the Director of National Intelligence, to be engaged in unauthorized conduct that is detrimental to the national security or foreign policy of the United States;[1108] (5) an entity identified as a Chinese military company operating in the United States;[1109] (6) a certain entity associated with the Xinjian Uyghur Autonomous Region;[1110] (7) a certain battery producing entity;[1111] or (8) a foreign-controlled entity.

For this purpose a foreign-controlled entity means: (1) the government of a covered nation (as defined in 10 U.S.C. section 4872(f)(2)); (2) a person who is a citizen, national, or resident of a covered nation and not a citizen or lawful permanent resident of

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[1101] See the descriptions of restrictions on sections 45X, 45Y, and 48E for details on how the restrictions on prohibited foreign entities are applied.

[1102] New sec. 7701(a)(51)(A).

[1103] New sec. 7701(a)(51)(B).

[1104] New sec. 7701(a)(51)(D).

[1105] See 15 U.S.C. sec. 4651; William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 ("NDAA"), Pub. L. No. 116–283, sec. 9901(8)(A), January 1, 2021. Note that the CHIPS and Science Act modified the NDAA. See Pub. L. No. 117–167, sec. 103, August 9, 2022.

[1106] See 15 U.S.C. sec. 4651; NDAA, Pub. L. No. 116–283, sec. 9901(8)(B), January 1, 2021.

[1107] See 15 U.S.C. sec. 4651; NDAA, Pub. L. No. 116–283, sec. 9901(8)(D), January 1, 2021.

[1108] See 15 U.S.C. sec. 4651; NDAA, Pub. L. No. 116–283, sec. 9901(8)(E), January 1, 2021.

[1109] In accordance with section 1260H of Public Law 116–283.

[1110] An entity included on a list required by sec. 2(d)(2)(B)(i), (ii), (iv), or (v) of Pub. L. No. 117–78.

[1111] An entity specified under section 154(b) of Public Law 118–31.

the United States; (3) an entity or qualified business unit (as defined in section 989(a)) incorporated or organized under the laws of, or has its principal place of business in, a covered nation; or (4) an entity (including subsidiaries) controlled by an entity described in (1) through (3).[1112]

Control in the case of an entity, in (4) above, means ownership (by vote or value) of more than 50 percent of the stock in the case of a corporation, ownership of more than 50 percent of the profits interests or capital interests in the case of a partnership, and ownership of more than 50 percent of the beneficial interest in the case of any other entity.

Foreign-influenced entity

A foreign-influenced entity means an entity with respect to which, during the taxable year: (1) a specified foreign entity has the direct or indirect authority to appoint a covered officer; (2) a single specified foreign entity owns at least 10 percent; (3) one or more specified foreign entities own in aggregate at least 25 percent; (4) one or more specified foreign entities holds in aggregate at least 25 percent of the debt; or (5) payments of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount (a) to a specified foreign entity equal to or exceed 10 percent of such total payments for the previous taxable year, or (b) to one or more specified foreign entities equal to or exceed 25 percent of such total payments for the previous taxable year, are knowingly made.

A covered officer with respect to an entity is: (1) a member of the board of directors, board of supervisors, or equivalent governing body; (2) an executive-level officer, including the president, chief executive officer, chief operating officer, chief financial officer, general counsel, or senior vice president; or (3) an individual having powers or responsibilities similar to those described in (1) and (2).

Material assistance

Material assistance from a prohibited foreign entity means (1) property with any included component, subcomponent, or applicable critical mineral (as defined in section 45X(c)(6)) that is extracted, processed, recycled, manufactured, or assembled by a prohibited foreign entity or (2) property the design of which is based on any copyright or patent held by a prohibited foreign entity or any know-how or trade secret provided by a prohibited foreign entity.[1113]

Material assistance from a prohibited foreign entity does not include any assembly part or constituent material if such part or material is not directly acquired from a prohibited foreign entity. For this purpose, assembly parts are subcomponents or collections of subcomponents that (1) are not uniquely designed for use in the construction of a qualified facility described in section 45Y or 48E or an eligible component described in 45X and (2) are not exclusively or predominately produced by prohibited foreign entities. For this purpose, constituent materials are materials which (1) are not

[1112] New sec. 7701(a)(51)(C).
[1113] New sec. 7701(a)(52).

uniquely formulated for use in a qualified facility described in section 45Y or 48E or an eligible component described in 45X and (2) are not exclusively or predominately produced, processed, or extracted by prohibited foreign entities.

EFFECTIVE DATE

In general, the provision is effective for taxable years beginning after the date of enactment. The repeal of transferability is effective for facilities that begin construction after the date that is two years after the date of enactment.

PHASE-OUT AND RESTRICTIONS ON CLEAN ELECTRICITY INVESTMENT CREDIT (SEC. 112009 OF THE BILL AND SECS. 48E AND 6418 OF THE CODE)

PRESENT LAW

In general

A business energy credit is allowed equal to the applicable percentage of qualified investment for any taxable year with respect to any qualified facility and any energy storage technology.[1114] The base rate is 6 percent.[1115] This base rate is increased to 30 percent (the "alternative rate") for facilities with a maximum output of less than one megawatt of electricity (as measured in alternating current) and for facilities that meet certain prevailing wage and apprenticeship requirements (or for which construction began more than 60 days before the Secretary publishes guidance with respect to such prevailing wage and apprenticeship requirements).[1116]

Qualified investment with respect to a qualified facility

For purposes of determining the amount of the credit, a qualified investment with respect to any qualified facility for the taxable year is the sum of the basis of any qualified property placed in service by the taxpayer during such taxable year which is part of a qualified facility, plus the amount of any expenditures that are paid or incurred by the taxpayer for qualified interconnection property.[1117] The qualified interconnection property must be properly chargeable to a capital account of the taxpayer and placed in service during the taxpayer's taxable year in connection with a qualified facility that has a maximum net output of no more than five megawatts (as measured in alternating current).[1118]

Qualified property is tangible personal property or other tangible property (not including a building or its structural components), but only if such property is used as an integral part of a qualified facility.[1119] In addition, such property must consist of depreciable

[1114] Sec. 48E.
[1115] Sec. 48E(a)(2)(A)(i).
[1116] Sec. 48E(a)(2)(A)(ii). Section 48E(a)(2)(A)(ii)(II) and (a)(2)(B)(ii)(II) specify that a qualified facility or energy storage technology, respectively, that begins construction "prior to the date that is 60 days after the Secretary publishes guidance" with respect to the prevailing wage and apprenticeship requirements receives the increased credit rate. Treasury published such guidance on November 30, 2022, therefore a facility that began construction before January 29, 2023, is treated as satisfying the prevailing wage and apprenticeship requirements. T.D. 9998, 89 Fed. Reg. 53184, June 25, 2024.
[1117] Sec. 48E(b)(1).
[1118] Sec. 48E(b)(1)(B).
[1119] Sec. 48E(b)(2).

or amortizable property that is either built by the taxpayer or the original use of which begins with the taxpayer.

A qualified facility is an electricity generation facility owned by the taxpayer that is placed in service after December 31, 2024, and for which the greenhouse gas emissions rate is not greater than zero.[1120] With respect to a facility placed in service before January 1, 2025, a qualified facility includes new units and additions to capacity placed in service after December 31, 2024.[1121] The greenhouse gas emissions rate is determined using rules similar to the rules set forth in section 45Y(b)(2) and the terms "greenhouse gas," "greenhouse gas emissions rate," and "CO_2e per KWh" have the same meaning given such terms under section 45Y.[1122]

A qualified facility does not include any facility for which a credit is allowed under sections 45, 45J, 45Q, 45U, 45Y, 48, or 48A for the taxable year or any prior taxable year.[1123] The qualified investment with respect to any qualified facility for any taxable year does not include that portion of the basis of any property which is attributable to qualified rehabilitation expenditures (as defined in section 47(c)(2)).

Qualified interconnection property has the meaning given such term in section 48(a)(8)(B).[1124] Qualified interconnection property is tangible property that is part of an addition, modification, or upgrade to a transmission or distribution system, and which is required at or beyond the point where the energy project interconnects to such transmission or distribution system in order to accommodate such interconnection.[1125] Qualified interconnection property must be built or funded by the taxpayer and the original use of such property, pursuant to an interconnection agreement, must commence with a utility.

Qualified investment with respect to energy storage technology

The qualified investment with respect to energy storage technology for any taxable year is the basis of any energy storage technology placed in service by the taxpayer during such taxable year.[1126] The term "energy storage technology" has the meaning given such term in section 48(c)(6) (except that subparagraph (D) of such section shall not apply).[1127]

Energy storage technology consists of either (1) property (other than property primarily used in the transportation of goods or individuals and not for the production of electricity) which receives, stores, and delivers energy for conversion to electricity (or, in the case of hydrogen, which stores energy), and has a nameplate capacity of not less than five kilowatt-hours, and (2) thermal energy storage property.[1128] Property placed in service before the date of enactment of section 48 that is modified to increase its capacity to at least five kilowatts (or if already having a capacity of at least five

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[1120] Sec. 48E(b)(3)(A).
[1121] Sec. 48E(b)(3)(B)(i).
[1122] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above.
[1123] Sec. 48E(b)(3)(C).
[1124] Sec. 48E(b)(4).
[1125] Sec. 48(a)(8)(B).
[1126] Sec. 48E(c)(1).
[1127] Sec. 48E(c)(2).
[1128] Sec. 48(c)(6)(A).

kilowatts, increases its capacity by at least an additional five kilowatts), is treated as qualifying property except that the basis of any existing property prior to such modification is not taken into account.[1129]

Thermal energy storage property is property comprising a system which (1) is directly connected to a heating, ventilation, or air conditioning system, (2) removes heat from, or adds heat to, a storage medium for subsequent use, and (3) provides energy for the heating or cooling of the interior of a residential or commercial building. Thermal energy property does not include a swimming pool, combined heat and power system property, or a building or its structural components.[1130]

Wage and apprenticeship requirements

The prevailing wage and apprenticeship requirements follow a structure similar to that set forth in section 48(a)(10) and section 45(b)(8), respectively.[1131] A taxpayer can meet the prevailing wage requirements if it ensures that prevailing wages are paid to any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in the construction of an energy project, and for the alteration or repair of such project during the 5-year period beginning on the date the energy project is originally placed in service.[1132] Prevailing wages are wages paid at rates not less than the prevailing wage rates for construction, alteration, or repair of a similar character in the locality as determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31, of title 40, United States Code. Rules for correction and penalties related to failure to satisfy wage requirements similar to those in section 45(b)(7)(B) apply.[1133]

The apprenticeship requirements in section 45(b)(8) require that, generally, not less than a certain percentage of total labor hours of the construction, alteration, or repair work (including work performed by any contractor or subcontractor) on a project must be performed by qualified apprentices.[1134]

Certain progress expenditure rules made applicable

Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) apply.

Credit reduced for tax-exempt bonds

The credit is reduced for tax-exempt bonds under rules similar to the rules of section 45(b)(3).[1135]

Phaseout of credit

The credit phases out under rules similar to the rules set forth in section 45Y(d)(3).[1136]

[1129] Sec. 48(c)(6)(B).
[1130] Sec. 48(c)(6)(C).
[1131] Sec. 48E(d)(2)–(3).
[1132] Sec. 48(a)(10)(A).
[1133] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.
[1134] *Ibid*.
[1135] *Ibid*.
[1136] See sec. 48E(e).

Recapture of the credit

If the Secretary determines that the greenhouse gas emissions rate for a qualified facility is greater than 10 grams of CO_2e per KWh, any property for which a credit was allowed under this section with respect to such facility ceases to be investment credit property in the taxable year in which the determination is made and such credit is subject to recapture under the rules of section 50.[1137]

Energy communities bonus

If energy property is placed in service in an "energy community," the provision increases the base rate by two percentage points and the alternative rate by ten percentage points.[1138] The definition of energy community is that same that set forth in section 45(b)(11)(B).[1139]

Domestic content bonus

An additional credit amount is available for property that meets certain domestic content requirements similar to those used in section 48.[1140] To meet these requirements, a taxpayer must certify to the Secretary that any steel, iron, or manufactured product which is a component of a qualified facility or energy storage technology (upon completion of construction) was produced in the United States.[1141] For purposes of steel and iron, this requirement shall be applied consistent with section 661.5 of title 49, Code of Federal Regulations. Manufactured products which are components of a qualified facility or energy storage technology are deemed to have been produced in the United States if not less than 40 percent (20 percent in the case of offshore wind facilities) of the total costs of all manufactured products of such facility are attributable to manufactured products (including components) which are mined, produced, or manufactured in the United States.

Special rules for certain facilities placed in service in connection with low-income communities

A bonus credit amount is allowed for applicable facilities placed in service in connection with low-income communities.[1142] Applicable facilities are qualified facilities that do not produce electricity through combustion or gasification, have a maximum net output of less than five megawatts (as measured in alternating current), and are either (1) located in a low-income community (as defined in section 45D(e)) or on Indian land (as defined in section 2601(2) of the Energy Policy Act of 1992 (25 U.S.C. sec. 3501(2))) or (2) part of a qualified low-income residential building project or a qualified low-income economic benefit project.[1143] In the case of facilities located in a low-income community or on Indian land, the bonus

[1137] Sec. 48E(g).
[1138] Sec. 48E(a)(3)(A).
[1139] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.
[1140] Sec. 48E(a)(3)(B).
[1141] See Notice 2025–8, 2025–8 I.R.B. 800, February 18, 2025.
[1142] Sec. 48E(h).
[1143] Sec. 48E(h)(2).

credit rate is 10 percentage points.[1144] In the case of facilities that are part of a qualified low-income residential building project or a qualified low-income economic benefit project, the bonus credit rate is 20 percentage points.[1145]

A facility is treated as part of a qualified low-income residential building project if the facility is installed on a residential rental building[1146] which participates in a covered housing program (as defined in section 41411(a) of the Violence Against Women Act of 1994 (34 U.S.C. 12491(a)(3)), a housing assistance program administered by the Department of Agriculture under title V of the Housing Act of 1949, a housing program administered by a tribally designated housing entity (as defined in section 4(22) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(22)) or such other affordable housing programs as the Secretary may provide, and the financial benefits of the electricity produced by such facility are allocated equitably among the occupants of the dwelling units of such building.[1147]

A facility is treated as part of a qualified low-income economic benefit project if at least 50 percent of the financial benefits of the electricity produced by such facility are provided to households with income of (1) less than 200 percent of the poverty line (as defined in section 36B(d)(3)(A)) applicable to a family of the size involved or (2) less than 80 percent of area median gross income (as determined under section 142(d)(2)(B)).[1148] For purposes of determining whether a facility is part of a qualified low-income residential building project or a qualified low-income economic benefit project, electricity acquired at a below-market rate shall be taken into account as a financial benefit.[1149]

The bonus is subject to an annual capacity limitation is 1.8 gigawatts of direct current capacity for each calendar year beginning on January 1, 2025, and ending on December 31 of the applicable year (as defined by section 45Y(d)(3)),[1150] and zero thereafter.[1151] The Secretary is required to establish (within 180 days after the date of the provision's enactment) a program to allocate the capacity limitation to qualified solar and wind facilities.[1152] In establishing such program, the Secretary must provide procedures to allow for an efficient allocation process, including, when appropriate, consideration of multiple projects in a single application if such projects will be placed in service by a single taxpayer.

Facilities that have been awarded credits must be placed in service within four years of the date such facilities have been allocated electricity generation capacity by the Secretary.[1153] If a facility is not placed in service within this four-year period, the electric generation capacity allocated to such facility may be reallocated by the

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[1144] Sec. 48E(h)(1)(A)(i).
[1145] Sec. 48E(h)(1)(A)(ii).
[1146] For this purpose, a facility installed next to a building or in a building complex's common area may be treated as installed on a residential building.
[1147] Sec. 48E(h)(2)(B).
[1148] Sec. 48E(h)(2)(C).
[1149] Sec. 48E(h)(2)(D).
[1150] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above.
[1151] Sec. 48E(h)(4)(C).
[1152] Sec. 48E(h)(4)(A) and Treas. Reg. sec 1.48E(h)–1.
[1153] Sec. 48E(h)(4)(E).

Secretary.[1154] In addition, if the annual capacity limitation for 2023 is not fully allocated, the unallocated portion is added to the amount available in calendar year 2024.[1155]

The bonus credit is subject to recapture if the property to which it relates ceases to meet the applicable requirements, notwithstanding the fact such property still qualifies for the energy credit under section 50(a).

Reduction of elective payment if domestic content rules are not satisfied

Under section 6417, applicable entities may elect to have the credit paid directly to the extent there is insufficient tax liability to absorb the credit.[1156] The amount of this direct payment is reduced if the domestic content requirements described above for the bonus credit are not satisfied under rules similar to the rules in section 45Y(g)(12).[1157]

Transferability

Under section 6418, an eligible taxpayer may elect to transfer all or a portion of a clean electricity investment credit determined with respect to such taxpayer for any taxable year to an unrelated taxpayer.[1158]

REASONS FOR CHANGE

The Committee believes that the Internal Revenue Code should not provide tax benefits to certain types of energy projects over others. The Committee believes that phasing out the credit earlier will promote horizontal equity in the tax treatment of energy projects.

The Committee believes that prohibited foreign entities should not directly or indirectly benefit from U.S. energy tax incentives. Therefore, the Committee believes it is appropriate to disallow the credit if the taxpayer is a specified foreign entity or foreign-influenced entity, uses material assistance from a prohibited foreign entity in the construction of their facility or energy storage technology, or makes certain payments in excess of specified thresholds to prohibited foreign entities.

The Committee notes that unlike other business credits, the energy tax credits are given preferential treatment in the Code through the ability to transfer credits to unrelated taxpayers. The Committee believes that tax credits generally should be limited to the taxpayer that engaged in the activity giving rise to the credit. Therefore, the Committee believes it is appropriate to repeal the ability to transfer tax credits to unrelated taxpayers. As some taxpayers may have factored the use of transferability into their near-term investment decisions, the Committee believes it is appropriate to terminate transferability for facilities and energy storage technology that begin construction more than two years after the date of enactment.

[1154] Sec. 48E(h)(4)(E)(ii).
[1155] Sec. 48E(h)(4)(D).
[1156] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.
[1157] Sec. 48E(d)(5); *ibid*.
[1158] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.

EXPLANATION OF PROVISION

Modification of phase-out

The provision modifies the phaseout of the clean electricity investment credit. The credit is reduced by 20 percent for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2029, by 40 percent for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2030, by 60 percent for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2031, and by 100 percent for any qualified investment with respect to any qualified facility or energy storage technology placed in service after December 31, 2031.

Restrictions related to prohibited foreign entities

Under the provision, a "qualified facility" does not include any facility that begins construction after the date that is one year after the date of enactment if the construction of the facility includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)). "Energy storage technology" does not include any property that begins construction after the date that is one year after the date of enactment if the construction of the property includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)).

The provision disallows any credit for any taxable year beginning after the date of enactment if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

The provision disallows any credit for any taxable year beginning after the date that is two years after the date of enactment if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).

No credit is allowed for any taxable year beginning after the date that is two years after the date of enactment if the taxpayer makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount related to the production of electricity or storage of energy (1) to a prohibited foreign entity in an amount equal to or greater than five percent of such total payments made by the taxpayer during the taxable year or (2) to more than one prohibited foreign entity in an amount that, in aggregate, is equal to or greater than 15 percent of such payments made by the taxpayer during the taxable year.

The provision modifies section 50 to provide that if a specified taxpayer makes an applicable payment during the 10-year period beginning on the date that the taxpayer placed in service investment credit property eligible for the section 48E credit, 100 percent of the section 48E credit for that property is recaptured during the taxable year in which the applicable payment occurs. A specified taxpayer is a taxpayer who has been allowed a credit under section 48E(a) for any taxable year beginning after the date which is two years after the date of enactment.

Under the provision, an applicable payment is (1) a payment of dividends, interest, compensation for services, rentals or royalties,

guarantees or any other fixed, determinable, annual, or periodic amount related to the production of electricity or storage of energy to a prohibited foreign entity in an amount equal to or greater than five percent of such total payments made by the taxpayer during the taxable year or (2) payments of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount related to the production of electricity or storage of energy to more than one prohibited foreign entity in an amount that, in aggregate, is equal to or greater than 15 percent of such total payments made by the taxpayer during the taxable year.

Repeal of transferability

The provision terminates transferability of the credit for facilities and energy storage technology that begin construction after the date that is two years after the date of enactment.

Modification of Low-Income Communities Bonus Credit

Under the provision, the term "annual capacity limitation" means 1.8 gigawatts of direct current capacity for each calendar year during the period beginning on January 1, 2025, and ending on December 31, 2031, and zero thereafter. The provision bars any excess capacity limitation from carrying over to any calendar year after December 31, 2031. The provision requires facilities that have been awarded bonus credits to be placed in service by the earlier of the date that is four years after the date such facilities have been allocated electricity generation capacity by the Secretary and December 31, 2031.

EFFECTIVE DATE

In general, the provision is effective for taxable years beginning after the date of enactment. The repeal of transferability is effective facilities and energy storage technology that begin construction after the date that is two years after the date of enactment.

REPEAL OF TRANSFERABILITY OF CLEAN FUEL PRODUCTION CREDIT (SEC. 112010 OF THE BILL AND SEC. 6418(f)(1)(A)(viii) OF THE CODE)

PRESENT LAW

Clean fuel production credit

For transportation fuel, the Code provides a business credit, the "Clean Fuel Production Credit." "Transportation fuel" is a fuel suitable for use as a fuel in a highway vehicle or aircraft, that has a lifecycle greenhouse gas emissions rate which is not greater than 50 kilograms of CO_2e per 1 million British Thermal Units ("mmBTU"), and that is not derived from coprocessing an applicable material (or material derived from an applicable material) with a feedstock which is not biomass.[1159]

The credit per gallon is the product of (1) the applicable amount per gallon (or gallon equivalent) of transportation fuel produced

[1159] "Applicable material" means monoglycerides, diglycerides, and triglycerides, free fatty acids, and fatty acid esters. The term "biomass" has the same meaning given such term in section 45K(c)(3).

and sold by the taxpayer under specified circumstances and (2) the emissions factor for such fuel. To qualify for the credit, the transportation fuel must be produced at a qualified facility and sold by the taxpayer to an unrelated person (1) for use by such person in the production of a fuel mixture, (2) for use by such person in a trade or business, or (3) who sells such fuel at retail into the fuel tank of another person.

The "applicable amount" is either a "base amount" or an "alternative amount" depending on whether certain requirements are met. The base amount is 20 cents per gallon for transportation fuel produced at a qualified facility that does not satisfy certain prevailing wage and apprenticeship requirements. For transportation fuel produced at a qualified facility that does satisfy those requirements, the alternative amount is $1.00 per gallon. For transportation fuel that is sustainable aviation fuel, the base amount is 35 cents, and the alternative amount is $1.75. "Sustainable aviation fuel" means liquid fuel, the portion of which is not kerosene, which is sold for use in an aircraft, and which meets the requirements of either ASTM International Standard D7566, or the Fischer Tropsch provisions of ASTM International Standard D1655, Annex A1; and is not derived from palm fatty acid distillates or petroleum.

Fuel must be produced at a qualified facility

A "qualified facility" is a facility used for the production of transportation fuels and does not include any facility for which one of the following credits is allowed under section 38 for the taxable year: section 45V (the credit for production of clean hydrogen), section 46 to the extent that such credit is attributable to the energy credit determined under section 48 with respect to any specified clean hydrogen production facility for which an election has been made under section 48(a)(15), or section 45Q (the credit for carbon oxide sequestration).

Emissions factor calculation and establishment by the Secretary

The emissions factor of a transportation fuel is an amount equal to the quotient of (1) 50 kilograms of CO_2e per mmBTU minus the emissions rate for such fuel, divided by (2) 50 kilograms of CO_2e per mmBTU.

The Secretary is required to publish a table that sets forth the emission rate for similar types and categories of transportation fuels based on the amount of lifecycle greenhouse gas emissions (as described in section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H)) as in effect on the date of enactment of this section) for such fuels, expressed as kilograms of CO_2e per mmBTU, which a taxpayer shall use for the purposes of this provision.

In the case of transportation fuel that is not sustainable aviation fuel, the lifecycle greenhouse gas emissions of such fuel shall be based on the most recent determinations under the Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation model ("GREET") developed by Argonne National Laboratory, or a successor model (as determined by the Secretary).

In the case of transportation fuel that is sustainable aviation fuel, the lifecycle greenhouse gas emissions of such fuel shall be de-

termined in accordance with (1) the most recent Carbon Offsetting and Reduction Scheme for International Aviation that has been adopted by the International Civil Aviation Organization ("ICAO") with the agreement of the United States, or (2) any similar methodology which satisfies the criteria under section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H)) as in effect on the date of enactment of this provision (August 22, 2022).

The Secretary may round the emissions rates for purposes of the table to the nearest five kilograms of CO_2e per mmBTU. However, in the case of an emissions rate that is between 2.5 kilograms of CO_2e per mmBTU and -2.5 kilograms CO_2e per mmBTU, the Secretary may round such rate to zero.

On January 22, 2025, the IRS published Notice 2025–11, providing initial guidance on emissions rates. The notice contains the initial table of emissions rates for purposes of the credit. The table covers several types of fuels (including pathways and primary feedstock), such as ethanol, biodiesel, renewable diesel, renewable natural gas, propane, naptha, hydrogen, and sustainable aviation fuel. The Argonne National Laboratory developed, and the Department of Energy published, the "45ZCF–GREET" model to determine emissions rates for purposes of the credit.

The determination of emissions rates is calculated using either (1) determinations under the most recent version of the 45ZCF–GREET model or (2) determinations from fuel pathways approved under the most recent CORSIA Default Life Cycle Emissions Values for CORSIA Eligible Fuels lifecycle approach ("CORSIA Default") or the most recent CORSIA Methodology for Calculating Actual Life Cycle Emissions Values lifecycle approach ("CORSIA Actual").

Notice 2025–11 notes that the pathways that use imported used cooking oil will not be available in the 45ZCF–GREET model until the Department of the Treasury and the IRS publish further guidance, such as substantiation and recordkeeping requirements. The Notice expresses concern about the improper identification of a substance that is not used cooking oil as used cooking oil, the uncertainty of market impacts caused by incentivizing used cooking oil and, with imported used cooking oil in particular, the lack of transparency regarding local sources.

Petition for provisional emissions rate

In the case of any transportation fuel for which an emissions rate has not been established by the Secretary, a taxpayer producing such fuel may file a petition with the Secretary for determination of the emissions rate with respect to such fuel. Notice 2025–11 indicates that the Department of the Treasury and IRS intend to provide guidance related to the petition process at a later date. Until guidance is issued, the IRS will not accept requests for provisional emissions rate determinations and the Department of Energy will not issues emissions values. However, the emissions rate for any new type or category of fuel established on the applicable table or determined through the provisional emissions rate process will apply on January 1, 2025, regardless of when guidance is published establishing such rate.

Inflation adjustment

In the case of calendar years beginning after 2024, the 20-cent amount, $1.00 amount, 35 cent amount and $1.75 amount are adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the sale or use of the transportation fuel occurs. If any amount as increased is not a multiple of one cent, such amount is to be rounded to the nearest one cent. The inflation adjustment factor is the inflation adjustment factor determined and published by the Secretary under the clean electricity production credit (section 45Y), determined by substituting "calendar year 2022" for "calendar year 1992."

Special rules

To be entitled to the clean fuel production credit, the taxpayer must be registered with the IRS as a producer of clean fuel at the time of production.[1160] Such fuel must be produced in the United States. In addition, in the case of any transportation that is sustainable aviation fuel, the taxpayer must provide certification (in such form and such manner as the Secretary prescribes) from an unrelated party demonstrating compliance with any general requirements, supply chain traceability requirements, and information transmission requirements established under the Carbon Offsetting and Reduction Scheme for International Aviation or similar methodology which satisfies the criteria under section 211(o)(1)(H) of the Clean Air Act as in effect on the date of enactment of this provision.

In the case of a facility in which more than one person has an ownership interest, except to the extent provided in Treasury regulations, production from such facility shall be allocated among such persons in proportion to their respective ownership interests in the gross sales from such facility.

Persons shall be treated as related to each other if such persons would be treated as a single employer under the regulations prescribed under section 52(b). In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated return, such corporation shall be treated as selling fuel to an unrelated person if such fuel is sold to such a person by another member of such group.

In the case of estates and trusts, under regulations prescribed by the Secretary, rules similar to the rules of section 52(d) shall apply. In the case of agricultural cooperatives, an election may be made to apportion the credit determined among the patrons of the cooperative on the basis of business done by the patrons during the taxable year.

Prevailing wage and apprenticeship requirements for purposes of the alternative amount

To obtain the alternative amount, the transportation fuel must be produced at a qualified facility that satisfies the prevailing wage and apprenticeship requirements. Rules similar to the rules of section 45(b)(7) (prevailing wage requirements) apply.

[1160] Notice 2024–49 provides guidance on the clean fuel production credit registration requirements.

A special rule applies for facilities placed in service before January 1, 2025. For those facilities, section 45(b)(7)(A)(i) (related to the construction of such facility) does not apply. In addition, section 45(b)(7)(A)(ii) is to be applied to alteration and repairs of a qualified facility with respect to a taxable year beginning after December 31, 2024, for which a clean fuel production credit is allowed.

Rules similar to section 45(b)(8) (relating to apprenticeship requirements) apply for the purpose of the clean fuel production credit.

Termination

The provision does not apply to transportation fuel sold after December 31, 2027.

Transferability

Under section 6418, an eligible taxpay may elect to transfer all or a portion of the clean fuel production credit determined with respect to such taxpayer for any taxable year to an unrelated taxpayer.

REASONS FOR CHANGE

The Committee notes that unlike other business credits, the energy tax credits are given preferential treatment in the Code through the ability to transfer credits to unrelated taxpayers. The Committee believes that tax credits generally should be limited to the taxpayer that engaged in the activity giving rise to the credit. Therefore, the Committee believes it is appropriate to repeal the ability to transfer tax credits to unrelated taxpayers. As some clean fuel projects may have factored the use of transferability into their near-term investment decisions, the Committee believes it is appropriate terminate transferability after December 31, 2027.

EXPLANATION OF PROVISION

Repeal of transferability

The provision terminates transferability of the clean fuel production credit[1161] attributable to fuel produced after December 31, 2027.

EFFECTIVE DATE

The repeal of transferability applies to fuel produced after December 31, 2027.

RESTRICTIONS ON CARBON OXIDE SEQUESTRATION CREDIT (SEC. 112011 OF THE BILL AND SECS. 45Q AND 6418 OF THE CODE)

PRESENT LAW

In general

A general business credit is available for the capture and sequestration of carbon oxide. Taxpayers may claim the credit during the

[1161] The provision extends and modifies the credit in section 111112, "Extension and Modification of Clean Fuel Production Credit," described above.

12-year period beginning on the date the carbon capture equipment is originally placed in service.

Credits are generally attributable to the person that captures and physically or contractually ensures the disposal, utilization, or use as a tertiary injectant, of the qualified carbon oxide.[1162] Such persons may elect to transfer the credit to the taxpayer that disposes of, utilizes, or uses (as a tertiary injectant) the qualified carbon oxide.

Credits are subject to recapture with respect to any qualified carbon oxide that ceases to be captured, disposed of, or used as a tertiary injectant in a manner consistent with the credit rules.[1163]

Significant changes to the credit rate and structure were made in 2018 by the Bipartisan Budget Act of 2018 ("BBA") and in 2022 by the Inflation Reduction Act ("IRA").[1164] BBA was enacted on February 9, 2018. The BBA changes were effective for taxable years beginning after December 31, 2017.[1165] The IRA changes were generally effective for facilities or equipment placed in service after December 31, 2022, with exceptions noted below.

Credit amount

Equipment placed in service at a qualified facility on or after February 9, 2018, and before January 1, 2023

For carbon oxide captured using equipment placed in service on or after February 9, 2018, and before January 1, 2023, a credit rate of $12.83 per metric ton in 2017, increasing linearly each calendar year to $35 per metric ton by December 31, 2026, is available for qualified carbon oxide that is captured by the taxpayer at a qualified facility and used by such taxpayer either as a tertiary injectant in a qualified enhanced oil or natural gas recovery project ("EOR uses") and disposed of by such taxpayer in secure geological storage or for qualified carbon oxide utilization by the taxpayer.[1166] The credit rate is adjusted for inflation after December 31, 2026. For 2025, the credit rate is $32.54.[1167]

For qualified carbon oxide captured using equipment placed in service on or after February 9, 2018, and before January 1, 2023, and disposed of in secure geological storage, the credit rate is $22.66 per metric ton in 2017, increasing linearly each calendar year to $50 per metric ton by December 31, 2026, and adjusted for inflation thereafter.[1168] For 2025, the credit rate is $46.96.[1169]

Equipment placed in service at a qualified facility after December 31, 2022

In the case of facilities and equipment originally placed in service after December 31, 2022, or with respect to additional carbon capture equipment installed after such date at a facility placed in service before such date, the base credit rate is $17 (adjusted for inflation after 2026) per metric ton for qualified carbon oxide captured

[1162] Sec. 45Q(f)(3).
[1163] Sec. 45Q(f)(4).
[1164] Pub. L. No. 115–123, sec. 41119.
[1165] Pub. L. No. 117–169, sec. 13104.
[1166] Sec. 45Q(b)(1)(A)(i)(II) in effect prior to the date of enactment of the IRA, August 16, 2022.
[1167] Treas. Reg. sec. 1.45Q–1(d).
[1168] Sec. 45Q(b)(1)(A)(i)(I) in effect prior to the date of enactment of the IRA, August 16, 2022.
[1169] Treas. Reg. sec. 1.45Q–1(d).

by the taxpayer using carbon capture equipment which is disposed of by the taxpayer in secure geological storage without being first used for EOR uses.[1170] The base credit is $12 (adjusted for inflation after 2026) per metric ton where the captured carbon oxide is first used for EOR uses or utilized in a manner prescribed by section 45Q.[1171]

In the case of carbon oxide captured at direct air capture facilities placed in service after December 31, 2022, or with respect to additional carbon capture equipment installed after such date at such facilities placed in service before such date, the credit amounts described above are $36 and $26 per ton, respectively.

The total amount of credit is multiplied by five for qualified facilities or carbon capture equipment that meet certain prevailing wage and apprenticeship requirements.[1172]

Election for equipment placed in service at a qualified facility on or after February 9, 2018

The credit for carbon captured by facilities placed in service before February 9, 2018, ended on January 1, 2023.[1173] However, taxpayers may elect to apply the credit rate for these facilities to facilities that are placed in service on or after February 9, 2018.[1174] A taxpayer that makes this election would receive a credit of $10 per metric ton ($13.88 per metric ton, adjusted for inflation [1175]) for qualified carbon oxide that is captured by the taxpayer at a qualified facility and used by such taxpayer for EOR uses and disposed of by such taxpayer in secure geological storage or for qualified carbon oxide utilization.[1176] Such taxpayer would receive a credit of $20 per metric ton ($27.75 per metric ton, adjusted for inflation [1177]) for carbon oxide that is captured by the taxpayer at a qualified facility and disposed of in secure geological storage.[1178]

Definitions

Qualified carbon oxide is defined as any carbon dioxide or other carbon oxide captured from an industrial source by carbon capture equipment placed in service after February 9, 2018, that (1) would otherwise be released into the atmosphere as an industrial emission of greenhouse gas, and (2) is measured at the source of capture and verified at the point or points of injection.[1179] Qualified carbon oxide includes the initial deposit of captured carbon oxide used as a tertiary injectant but does not include carbon oxide that is recaptured, recycled, and re-injected as part of an enhanced oil or natural gas recovery project process.[1180] Only qualified carbon oxide captured and disposed of, used, or utilized within the United

[1170] 45Q(b)(1)(A).
[1171] *Ibid.*
[1172] Sec. 45Q(h).
[1173] Sec. 45Q(g); Notice 2022–38, 2022–39 IRB 239, September 26, 2022.
[1174] Sec. 45Q(b)(3).
[1175] Notice 2024–39, 2024–24 I.R.B. 1611, June 10, 2024.
[1176] Sec. 45Q(a)(2).
[1177] Notice 2024–39, 2024–24 I.R.B. 1611, June 10, 2024.
[1178] Sec. 45Q(a)(1).
[1179] Sec. 45Q(c)(1)(B).
[1180] Sec. 45Q(c)(2).

States or a possession of the United States is taken into account.[1181]

A qualified enhanced oil or natural gas recovery project is a project that would otherwise meet the definition of an enhanced oil recovery project under section 43, if natural gas projects were included within that definition.[1182]

Utilization of qualified carbon oxide means: (1) the fixation of such carbon oxide through photosynthesis or chemosynthesis, such as through the growing of algae or bacteria, (2) the chemical conversion of such qualified carbon oxide to a material or compound which results in secure storage, or (3) the use of such carbon oxide for any other purpose for which a commercial market exists (except for EOR uses), as determined by the Secretary.[1183]

Secure geological storage includes storage at deep saline formations, oil and gas reservoirs, and unminable coal seams.[1184] The Secretary, in consultation with the Administrator of the Environmental Protection Agency, the Secretary of Energy, and the Secretary of the Interior, is required to establish regulations for determining adequate security measures for the secure geological storage of carbon oxide such that the carbon oxide does not escape into the atmosphere.[1185]

For facilities or equipment the construction of which begins before August 16, 2022 (pre-IRA), a qualified facility is any industrial facility or direct air capture facility located in the United States or a possession of the United States the construction of which begins before January 1, 2026, and the construction of carbon capture equipment begins before such date or is integrated into the original planning and design of the facility.[1186] Qualified facilities also must capture a minimum amount of carbon oxide.[1187] For electricity generation facilities that emit 500,000 metric tons or more of carbon oxide in a taxable year, the facility must capture at least 500,000 metric tons of carbon oxide. For facilities that emit less than 500,000 metric tons of carbon oxide or non-power facilities that emit at least 500,000 metric tons of carbon oxide, the facility must generally capture at least 100,000 metric tons of carbon oxide per taxable year. However, where the carbon oxide is captured at a facility that emits less than 500,000 metric tons of carbon oxide and is being utilized for commercial purposes, this minimum amount is reduced to 25,000 metric tons of carbon oxide. Direct air capture facilities (described below) must also capture at least 100,000 metric tons of carbon oxide per taxable year to be qualified facilities.

The IRA modified the definition of qualified facility for facilities or equipment the construction of which begins after the date of enactment of the IRA.[1188] A qualified facility must begin construction before January 1, 2033. In the case of a direct air capture facility, the minimum amount of carbon oxide that must be captured for a

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[1181] Sec. 45Q(f)(1).
[1182] Sec. 45Q(e)(4).
[1183] Sec. 45Q(f)(5).
[1184] Sec. 45Q(f)(2).
[1185] Final Treasury regulations for section 45Q were published in the Federal Register on January 15, 2021. T.D. 9944, 86 Fed. Reg. 4728, January 15, 2021.
[1186] Sec. 45Q(d)(1) in effect prior to the date of enactment of the IRA, August 16, 2022.
[1187] Sec. 45Q(d)(2) in effect prior to the date of enactment of the IRA, August 16, 2022.
[1188] See sec. 45Q(d).

facility to qualify is 1,000 metric tons per taxable year. In the case of an electricity generating facility, the minimum amount is 18,750 metric tons per taxable year; any carbon capture equipment associated with the applicable electric generating unit at such facility must have a capture design capacity of not less than 75 percent of the baseline carbon oxide production of such unit. For this purpose, an applicable electric generating unit means the principal electric generating unit for which the carbon capture equipment is originally planned and designed.[1189]

In the case of an applicable electric generating unit originally placed in service more than one year prior to the date on which construction of the carbon capture equipment begins, the baseline carbon oxide production is generally the average annual carbon oxide production, by mass, from such unit during the three years with the highest annual carbon oxide production during the 12-year period preceding the date on which construction of such carbon capture equipment began. In the case of an applicable generating unit that was originally placed in service more than one year but not more than three years prior to the date on which construction of the carbon capture equipment begins, the baseline is measured using the period beginning on the date such unit was placed in service and ending on the date on which construction of such carbon capture equipment began. Where construction of the carbon capture equipment begins either before or not more than one year after the applicable electric generating unit is placed in service, the baseline carbon oxide production is the designed annual carbon oxide production, by mass, as determined based on an assumed capacity factor of 60 percent.[1190]

Prevailing wage and apprenticeship

The prevailing wage and apprenticeship requirements generally follow the structure established in section 45(b)(7) and (b)(8). Generally, the prevailing wage rules require that the taxpayer ensure that any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in the construction, alteration, or repair of a project are paid wages at a rate not less than the prevailing wage rates for construction, alteration, or repair of a similar character in the locality where the project is located as determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31, of title 40, United States Code. The apprenticeship requirements require that, generally, not less than a certain percentage of total labor hours of the construction, alteration, or repair work (including work performed by any contractor or subcontractor) on a project must be performed by qualified apprentices, similar to the rules of section 45(b)(8).[1191]

Election for certain facilities located in an area affected by a Federally declared disaster

In the case of qualified carbon oxide captured using carbon capture equipment which is originally placed in service at a qualified

[1189] Sec. 45Q(e)(1).
[1190] Sec. 45Q(e)(2).
[1191] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.

facility on or after the date of enactment of the Bipartisan Budget Act of 2018 (February 9, 2018), the taxpayer may elect, at such time and in such manner as the Secretary may prescribe, to have the 12-year period begin on the first day of the first taxable year in which a credit is claimed so long as (1) no taxpayer claimed a credit with respect to such carbon capture equipment for any prior taxable year, (2) the qualified facility at which such carbon capture equipment is placed in service is located in an area affected by a Federally declared disaster (as defined by section 165(i)(5)(A)) after the carbon capture equipment is originally placed in service, and (3) such Federally declared disaster results in a cessation of the operation of the qualified facility or the carbon capture equipment after such equipment is originally placed in service.

Tax-exempt bonds

The credit is reduced for tax-exempt bonds for facilities or equipment that begin construction after December 31, 2022, under rules similar to the rules of section 45(b)(3).[1192]

Elective pay

Under section 6417, applicable entities may elect to have the credit paid directly to the extent there is insufficient tax liability to absorb the credit.[1193] In general, an applicable entity is (1) any tax-exempt organization, (2) any State or political subdivision thereof,[1194] (3) the Tennessee Valley Authority, (4) any Indian tribal government,[1195] (5) any Alaska Native Corporation, or (6) any corporation operating on a cooperative basis which is engaged in furnishing electric energy to persons in rural areas.[1196] With certain limitations, entities not included in this list ("nonlist entities") may make an election and be treated as an applicable entity with respect to the section 45Q carbon oxide sequestration credit.[1197] The election generally remains in effect for the election year and for each of the four succeeding taxable years ending before January 1, 2033.[1198]

Transferability

Under section 6418, an eligible taxpayer may elect to transfer all or a portion of a carbon oxide sequestration credit determined with respect to such taxpayer for any taxable year to an unrelated taxpayer.[1199]

REASONS FOR CHANGE

The Committee believes that prohibited foreign entities should not directly or indirectly benefit from U.S. energy tax incentives. Therefore, the Committee believes it is appropriate to disallow the

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[1192] Sec. 45Q(f)(8).
[1193] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.
[1194] Eligible entities include State agencies and instrumentalities. Treas. Reg. sec. 1.6417–1(c)(7).
[1195] As defined in sec. 30D(g)(9).
[1196] Sec. 6417(d)(1)(A).
[1197] Sec. 6417(d)(1)(C).
[1198] Sec. 6417(d)(3)(C).
[1199] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.

credit if the taxpayer is a specified foreign entity or foreign-influenced entity.

The Committee notes that unlike other business credits, the energy tax credits are given preferential treatment in the Code through the ability to transfer credits to unrelated taxpayers.

The Committee believes that tax credits generally should be limited to the taxpayer that engaged in the activity giving rise to the credit. Therefore, the Committee believes it is appropriate to repeal the ability to transfer tax credits to unrelated taxpayers. As some taxpayers may have factored the use of transferability into their near-term investment decisions, the Committee believes it is appropriate to terminate transferability for carbon capture equipment that begins construction more than two years after the date of enactment.

EXPLANATION OF PROVISION

The provision disallows any credit for any taxable year beginning after the date of enactment if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

The provision disallows any credit for any taxable year beginning after the date that is two years after the date of enactment if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).

The provision terminates transferability of the credit for carbon capture equipment that begins construction after the date that is two years after the date of enactment.

EFFECTIVE DATE

In general, the provision is effective for taxable years beginning after the date of enactment. The repeal of transferability is effective for carbon capture equipment that begins construction after the date that is two years after the date of enactment.

PHASE-OUT AND RESTRICTIONS ON ZERO-EMISSION NUCLEAR POWER PRODUCTION CREDIT (SEC. 112012 OF THE BILL AND SEC. 45U OF THE CODE)

PRESENT LAW

In general

A section 45U credit is available for the production of nuclear power produced in the United States by the taxpayer at a qualified nuclear power facility and sold by the taxpayer to an unrelated person. A qualified nuclear power facility is any nuclear facility which (1) is owned by the taxpayer (including successor owner-taxpayers) and uses nuclear energy to produce electricity, (2) is not an advanced nuclear power facility under section 45J, and (3) is placed in service before August 16, 2022.

The credit rate is 0.3 cents per kilowatt-hour of nuclear power production.[1200] The total credit for the taxable year is reduced (but not below zero) by a "reduction amount" equal to the lesser of: (1) the product of 0.3 cents multiplied by the kilowatt hours of elec-

[1200] Sec. 45U(a).

tricity produced by the taxpayer at a qualified nuclear power facility and sold by the taxpayer to an unrelated person during the taxable year, or (2) 16 percent of the excess of the gross receipts from any electricity produced by such facility (including any electricity services or products provided in conjunction with the electricity produced by such facility) and sold to an unrelated person during the taxable year, over the number of kilowatts sold to unrelated persons times 2.5 cents.[1201] In calculating the reduction amount, gross receipts generally include payments with respect to a qualified nuclear power facility as a result of any Federal, State or local government program for, in whole or in part, the zero-emission, zero-carbon, or air quality attributes of any portion of the electricity produced by such facility.[1202] However, such payments are excluded from gross receipts for purposes of the reduction amount calculation if the full amount of the credit is used to reduce such payments.[1203] The 0.3 cent and 2.5 cent amounts are adjusted for inflation using calendar year 2023 as the base year.[1204]

The credit is part of the general business credit. The credit expires for taxable years beginning after December 31, 2032.

Elective payment

Under section 6417, applicable entities may elect to have the credit paid directly to the extent there is insufficient tax liability to absorb the credit.[1205]

Transferability

Under section 6418, an eligible taxpayer may elect to transfer all or a portion of a zero-emission nuclear power production credit determined with respect to such taxpayer for any taxable year to an unrelated taxpayer.[1206]

Increased credit amount for qualified nuclear power facilities

If certain prevailing wage requirements are met, the total amount of the credit is multiplied by five for qualified nuclear power facilities. Generally, the prevailing wage rules require that the taxpayer ensure that any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in the alteration or repair of a facility are paid wages at a rate not less than the prevailing wage rates for alteration or repair of a similar character in the locality where the project is located as determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31, of title 40, United States Code. Rules similar to the rules set forth in section 45(b)(7)(B) of the renewable electricity production credit apply regarding penalties for failing to satisfy the prevailing wage requirements.[1207]

[1201] Sec. 45U(b)(2)(A).
[1202] Sec. 45U(b)(2)(B)(i).
[1203] Section 45U(b)(2)(B)(iii).
[1204] Secs. 45U(c)(1) and 45(e)(2). This inflation adjustment is calculated using the gross domestic product ("GDP") implicit price deflator for the preceding calendar year compared to the GDP implicit price deflator for the base year.
[1205] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.
[1206] *Ibid.*
[1207] *Ibid.*

REASONS FOR CHANGE

The Committee believes that the Code should not provide tax benefits to certain types of energy projects over others. The Committee believes that phasing out the credit earlier will promote horizontal equity in the tax treatment of energy projects. The Committee believes that prohibited foreign entities should not directly or indirectly benefit from U.S. energy tax incentives. Therefore, the Committee believes it is appropriate to disallow the credit if the taxpayer is a specified foreign entity or foreign-influenced entity.

The Committee notes that unlike other business credits, the energy tax credits are given preferential treatment in the Code through the ability to transfer credits to unrelated taxpayers. The Committee believes that tax credits generally should be limited to the taxpayer that engaged in the activity giving rise to the credit. Therefore, the Committee believes it is appropriate to repeal the ability to transfer tax credits to unrelated taxpayers. As some taxpayers may have factored the use of transferability into their near-term investment decisions, the Committee believes it is appropriate to terminate transferability after December 31, 2027.

EXPLANATION OF PROVISION

For taxable years beginning after December 31, 2028, the provision phases down the amount of the zero-emission nuclear power production credit applicable for electricity produced and sold by the taxpayer. The otherwise allowable amount of the credit is multiplied by the applicable phase out percentage provided as follows.

Taxable year beginning in calendar year	Phase out percentage
2029	80 percent
2030	60 percent
2031	40 percent
2032	None

No section 45U credit is allowed under section 38 for any taxable year beginning after the date of enactment if the taxpayer is a specified foreign entity as defined in section 7701(a)(51)(B). No foreign-influenced entity (as defined in section 7701(a)(51)(D)) is allowed a section 45U credit under section 38 for any taxable year beginning two years after the date of enactment.

Repeal of transferability

The provision terminates transferability of the credit for electricity produced and sold after December 31, 2027.

EFFECTIVE DATE

The provision is generally effective for taxable years beginning after the date of enactment. The repeal of transferability is effective for electricity produced and sold after December 31, 2027.

TERMINATION OF CLEAN HYDROGEN PRODUCTION CREDIT (SEC. 112013 OF THE BILL AND SEC. 45V OF THE CODE)

PRESENT LAW

In general

The Code provides an income tax credit for the production of qualified clean hydrogen, the clean hydrogen production credit. The clean hydrogen production credit is part of the general business credit under section 38. For any taxable year, the clean hydrogen production credit is an amount equal to the product of (1) the kilograms of qualified clean hydrogen produced in that year by the taxpayer at a qualified clean hydrogen production facility during the ten-year period beginning on the date such facility was originally placed in service by (2) the applicable amount.

The "applicable amount" is equal to the applicable percentage of $0.60 (or of $3.00 if certain prevailing wage and apprenticeship requirements are met), rounded to the nearest 0.1 cent.[1208] The "applicable percentage" consists of four tiers, with the applicable percentage increasing as the lifecycle greenhouse gas emissions rate of the hydrogen decreases:

- 20 percent in the case of qualified clean hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of not greater than four kilograms of CO_2e [1209] per kilogram of hydrogen and not less than 2.5 kilograms of CO_2e per kilogram of hydrogen
- 25 percent in the case of qualified clean hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of less than 2.5 kilograms of CO_2e per kilogram of hydrogen and not less than 1.5 kilograms of CO_2e per kilogram of hydrogen
- 33.4 percent in the case of qualified clean hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of less than 1.5 kilograms of CO_2e per kilogram of hydrogen and not less than 0.45 kilograms of CO_2e per kilogram of hydrogen
- 100 percent in the case of qualified clean hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of less than 0.45 kilograms of CO_2e per kilogram of hydrogen

Definitions

"Qualified clean hydrogen" means hydrogen that is produced through a process that results in a lifecycle greenhouse gas emissions rate of not greater than four kilograms of CO_2e per kilogram of hydrogen. The hydrogen must be produced in the United States or a possession of the United States in the ordinary course of a trade or business of the taxpayer for sale or use. The production

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[1208] The $0.60 amount (or the $3.00 in the case of the enhanced credit) is indexed for inflation by multiplying such amount by the inflation adjustment factor (as determined under section 45(e)(2) by substituting 2022 for 1992 in subparagraph (B) thereof) for the calendar year in which the qualified hydrogen is produced. If any amount as adjusted is not a multiple of 0.1 cent, such amount is rounded to the nearest multiple of 0.1 cent.

[1209] "CO_2e" or "CO_2 equivalent" is the measure of greenhouse gas emissions "where the mass values of for all greenhouse gases are adjusted to account for their relative global warming potential." 42 U.S.C. sec. 7545(o)(1)(H).

and sale or use of such hydrogen must be verified by an unrelated party. In the case of any hydrogen for which a lifecycle greenhouse gas emissions rate has not been determined, a taxpayer producing such hydrogen may file a petition with the Secretary for determination of the lifecycle greenhouse gas emissions rate with respect to such hydrogen.

A "qualified clean hydrogen production facility" is a facility (1) owned by the taxpayer (2) that produces qualified clean hydrogen and (3) the construction of which begins before January 1, 2033.

The term "lifecycle greenhouse gas emissions" has the same meaning given such term under subparagraph (H) of section 211(o)(1) of the Clean Air Act as in effect on the date of enactment of the Act. However, such term only includes emissions through the point of production (well-to-gate) as determined under the most recent Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation model ("GREET") developed by the Argonne National Laboratory or a successor model (as determined by the Secretary). The Secretary has identified a successor model for this purpose, "45VH2–GREET."

Increased credit amount for qualified clean hydrogen production facilities meeting certain prevailing wage and apprenticeship requirements

In the case of a qualified clean hydrogen production facility that satisfies certain prevailing wage and apprenticeship requirements, the amount of credit determined with respect to qualified clean hydrogen is multiplied by five.[1210]

Special rules

For facilities owned by more than one taxpayer, rules similar to the rules of section 45(e)(3) apply for purposes of the provision. Rules similar to the rule under section 45(b)(3) (credit reduced for tax-exempt bonds) apply for purposes of the provision. No credit is allowed with respect to qualified clean hydrogen produced at a facility which includes carbon capture equipment for which a credit is allowed to any taxpayer under section 45Q for the taxable year or any prior taxable year. Thus, a facility is disqualified for purposes of section 45V, if a section 45Q credit is claimed for the taxable year or any prior taxable year with respect to such facility containing carbon capture equipment.

Modification of existing facilities

A special placed-in-service rule applies for existing facilities modified to produce qualified clean hydrogen. In the case of any facility that was originally placed in service before January 1, 2023,

[1210] Sec. 45V(e)(1). Under the Treasury regulations, a qualified clean hydrogen production facility satisfies the requirements it is one of the following: (1) a facility the construction of which began prior to January 29, 2023, and that meets the prevailing wage requirements of section 45(b)(7) and Treasury regulation section 1.45–7 with respect to alterations or repairs of a qualified facility that occur after January 29, 2023 (to the extent applicable), and that meets the recordkeeping and reporting requirements of Treasury regulation section 1.45–12; or (2) a facility that meets the prevailing wage requirements of section 45(b)(7) and Treasury regulation section 1.45–7, the apprenticeship requirements of section 45(b)(8) and Treasury regulation section 1.45–8, and the recordkeeping and reporting requirements of Treasury regulation section 1.45–7 with respect to the construction, alteration, or repair of a qualified facility. Treas. Reg. sec. 1.45V–3(b).

and prior to the modification, did not produce qualified clean hydrogen, and after the date such facility was originally placed in service is (1) modified to produce clean hydrogen, and (2) the amounts paid or incurred with respect to such modification are properly chargeable to the capital account of the taxpayer, such facility is deemed to have been originally placed in service as of the date that the property required to complete the modification is placed in service.

Election to treat clean hydrogen production facilities as energy property

In lieu of the clean hydrogen production credit, the provision permits a taxpayer to elect to treat specified clean hydrogen facilities (or any portion of such facility) as energy property. The energy percentage with respect to such property ranges from 1.2 percent to six percent depending on the type of qualified clean hydrogen that the facility is designed and reasonably expected to produce. No credit is allowed under section 45V or section 45Q for any taxable year with respect to any specified clean hydrogen production facility or any carbon capture equipment included at such facility. A "specified clean hydrogen production facility" is a qualified clean hydrogen production facility (as defined in 45V(c)(3) described above) (1) that is placed in service after December 31, 2022, (2) with respect to which no credit has been allowed under sections 45V or 45Q, and the taxpayer makes an irrevocable election to have this provision apply, and (3) for which an unrelated third party has verified (in such form or manner as the Secretary may prescribe) that such facility produces hydrogen through a process which results in lifecycle greenhouse gas emissions that are consistent with the hydrogen that such facility was designed and expected to produce.

Credit monetization

In lieu of the clean hydrogen production credit, certain taxpayers may elect a direct payment or transfer credits.

Regulations and guidance

On January 10, 2025, the Department of Treasury and the IRS published final regulations regarding the clean hydrogen production credit and the election under section 48(a)(15) relating to the investment tax credit for specified clean hydrogen production facilities.[1211] The regulations provide rules for: (1) determining lifecycle greenhouse gas emissions rates resulting from hydrogen production processes; (2) petitioning for provisional emissions rates; (3) verifying production and sale or use of clean hydrogen; (4) modifying or retrofitting existing qualified clean hydrogen production facilities; (5) using electricity from certain renewable or zero-emissions sources to produce qualified clean hydrogen; and (6) electing to treat part of a specified clean hydrogen production facility as property eligible for the energy credit in lieu of the clean hydrogen production credit.

[1211] T.D. 10023, 90 Fed. Reg. 2224, January 10, 2025.

REASONS FOR CHANGE

The Committee believes it is appropriate to terminate the clean hydrogen production credit after the end of this year for new projects. While the use of hydrogen as fuel (i.e., burning hydrogen fuel) does not result in the emission of greenhouse gases, the production process may have associated emissions. Accounting for these upstream emissions is complex and administratively difficult. Therefore, the overall cost effectiveness of the clean hydrogen production credit on reducing greenhouse gas emissions is not entirely clear. Further, the regulations promulgated to account for emissions associated with the lifecycle of the hydrogen production process have been viewed by some as overly complex, potentially discouraging investment. The Committee also notes that projects in development to make hydrogen from fossil fuels with a carbon capture and storage process could alternatively utilize section 45Q.

EXPLANATION OF PROVISION

The provision terminates the clean hydrogen production credit for facilities that begin construction after December 31, 2025. The provision similarly terminates the election to treat clean hydrogen production facilities as energy property for purposes of section 48.

EFFECTIVE DATE

The provision is effective for facilities that begin construction after December 31, 2025.

PHASE-OUT AND RESTRICTIONS ON ADVANCED MANUFACTURING PRODUCTION CREDIT (SEC. 112014 OF THE BILL AND SEC. 45X OF THE CODE)

PRESENT LAW

In general

A credit is provided for eligible components that are produced by the taxpayer and sold to an unrelated person during the taxable year.[1212] Eligible components include any solar energy component (solar modules, photovoltaic cells, photovoltaic wafers, solar grade polysilicon, torque tubes or structural fasteners, and polymeric backsheets), any wind energy component (blades, nacelles, towers, offshore wind foundations, and related offshore wind vessels), certain inverters (central, commercial, distributed wind, microinverter, residential, and utility), any qualifying battery component (electrode active materials, battery cells, and battery modules), and any applicable critical mineral.[1213] The production and sale of eligible components must be in the trade of business of the taxpayer.[1214]

An eligible component that is integrated, incorporated, or assembled into another eligible component which is then sold to an unre-

[1212] Sec. 45X(a)(1).

[1213] Sec. 45X(c)(1)(A).

Any property produced by a facility that has received a credit under section 48C after the date of enactment (August 16, 2022) is not an eligible component. Sec. 45X(c)(1)(B).

Any property produced by a facility that is co-located with a facility that has received a credit under section 48C may be an eligible component if such facilities are separable. Treas. Reg. 1.45X–1(g).

[1214] Sec. 45X(a)(2).

lated person is treated having been sold to an unrelated person for purposes of this credit.[1215]

A taxpayer can sell components to a related person and still qualify for the credit if the related person sells such components to an unrelated person or the taxpayer makes an election and meets certain requirements the Secretary deems necessary to prevent duplication, fraud, or any improper or excessive amount of credit.[1216] Likewise, a vertically integrated manufacturer that produces eligible components and integrates, incorporates, or assembles them as part of a product that is sold to an unrelated person may qualify for the credit.[1217]

Credit amounts

Table 1 shows the credit amount for certain eligible components.

TABLE 1.—CREDIT AMOUNT FOR CERTAIN ELIGIBLE COMPONENTS

Eligible Component	Credit Amount
Thin film photovoltaic cell or crystalline photovoltaic cell.	4 cents times the capacity of the cell (per direct current watt basis)
Photovoltaic wafer	$12 per square meter
Solar grade polysilicon	$3 per kilogram
Polymeric backsheet	40 cents per square meter
Solar module	7 cents times the capacity of the module (per direct current watt basis)
Torque tube	87 cents per kilogram
Structural fastener	$2.28 per kilogram
Central inverter	25 cents times the capacity of the inverter (per alternating current watt basis)
Utility inverter	1.5 cents times the capacity of the inverter (per alternating current watt basis)
Commercial inverter	2 cents times the capacity of the inverter (per alternating current watt basis)
Residential inverter	6.5 cents times the capacity of the inverter (per alternating current watt basis)
Microinverter or distributed wind inverter.	11 cents times the capacity of the inverter (per alternating current watt basis)

The[1218] credit for a related offshore wind vessel is 10 percent of the sales price of the vessel.[1219] Table 2 presents the rates for other wind energy components. For this purpose, total rated capacity relates to the completed wind turbine for which the component is designed.[1220]

[1215] Sec. 45X(d)(4).
[1216] Sec. 45X(a)(3) and Treas. Reg. 1.45X–2(d).
[1217] Treas. Reg. 1.45X–2(e).
[1218] Sec. 45X(b)(1).
[1219] Sec. 45X(b)(1)(F)(i).
[1220] Sec. 45X(b)(1)(F)(ii)(II).

TABLE 2.—CREDIT AMOUNT FOR CERTAIN WIND ENERGY COMPONENTS [1221]

Wind Energy Component	Credit Amount
Blade	2 cents times the total rated capacity (per watt basis)
Nacelle	5 cents times the total rated capacity (per watt basis)
Tower	3 cents times the total rated capacity (per watt basis)
Offshore wind foundation using a fixed platform	2 cents times the total rated capacity (per watt basis)
Offshore wind foundation using a floating platform	4 cents times the total rated capacity (per watt basis)

The credit for electrode active minerals and applicable critical minerals is 10 percent of the costs incurred by the taxpayer with respect to production of the minerals.[1222]

The credit for a battery cell is $35 times the capacity of the cell (kilowatt-hour basis). The credit for a battery module is $10 ($45 if the battery module does not use battery cells) times the capacity of the battery module (kilowatt-hour basis).[1223] For both battery cells and modules, the capacity taken into account for the credit cannot exceed a ratio of such capacity to maximum discharge of 100 to 1.[1224]

Applicable critical minerals Generally, applicable critical minerals are certain minerals converted to other forms or purified to a certain minimum purity by mass.[1225] These minerals are listed in table 3.

TABLE 3.—CERTAIN MINERALS [1226]

Aluminum	Antimony	Barite	Beryllium	Cerium
Cesium	Chromium	Cobalt	Dysprosium	Europium
Fluorspar	Gadolinium	Germanium	Graphite	Indium
Lithium	Manganese	Neodymium	Nickel	Niobium
Tellurium	Tin	Tungsten	Vanadium	Yttrium
Arsenic	Bismuth	Erbium	Gallium	Hafnium
Holmium	Iridium	Lanthanum	Lutetium	Magnesium
Palladium	Platinum	Praseodymium	Rhodium	Rubidium
Ruthenium	Samarium	Scandium	Tantalum	Terbium
Thulium	Titanium	Ytterbium	Zinc	Zirconium

Credit phaseout

The credit begins to phase out in 2030.[1227] Specifically, for eligible components sold during calendar years 2030, 2031, and 2032, the otherwise allowable amount of credit is reduced by 25 percent, 50 percent, and 75 percent, respectively. This phasedown does not

[1221] Sec. 45X(b)(1)(F)(ii) and (b)(2)(A).
[1222] Sec. 45X(b)(1)(J) and (M).
[1223] Sec. 45X(b)(1)(K) and (L).
[1224] Sec. 45X(b)(4).
[1225] Sec. 45X(c)(6).
[1226] *Ibid.*
[1227] Sec. 45X(b)(3).

apply to applicable critical minerals.[1228] The credit is fully phased out for eligible components except for applicable critical minerals after 2032.[1229]

Special rules

The credit only applies to sales where the eligible components are produced within the United States or U.S. territories.[1230] This requirement does not to apply to subcomponents or materials used to produce eligible components.[1231]

Rules for common control and estates and trusts similar to those of section 52(b) and (d) apply.[1232]

REASONS FOR CHANGE

The Committee believes that the Code should not provide tax benefits to certain types of energy projects over others. The Committee believes that phasing out the credit earlier will promote horizontal equity in the tax treatment of energy projects. In particular, the Committee believes that wind energy is a sufficiently mature industry and that the phase-out for wind energy components should occur even earlier.

The Committee believes that prohibited foreign entities should not directly or indirectly benefit from U.S. energy tax incentives. Therefore, the Committee believes it is appropriate to disallow the credit if the taxpayer is a specified foreign entity or foreign-influenced entity, uses material assistance from a prohibited foreign entity in the production of eligible components, or makes certain payments in excess of specified thresholds to prohibited foreign entities.

The Committee notes that unlike other business credits, the energy tax credits are given preferential treatment in the Code through the ability to transfer credits to unrelated taxpayers. The Committee believes that tax credits generally should be limited to the taxpayer that engaged in the activity giving rise to the credit. Therefore, the Committee believes it is appropriate to repeal the ability to transfer tax credits to unrelated taxpayers. As some taxpayers may have factored the use of transferability into their near-term investment decisions, the Committee believes it is appropriate to terminate transferability after December 31, 2027.

EXPLANATION OF PROVISION

The provision adds several restrictions to and accelerates the termination of the advanced manufacturing production credit.

No credit is allowed for taxpayers that are specified foreign entities (as defined in section 7701(a)(51)(B)) for taxable years beginning after the date of enactment. No credit is allowed for taxpayers that are foreign-influenced entities (as defined in section 7701(a)(51)(D)) for taxable years beginning two years after the date of enactment.

[1228] Sec. 45X(b)(3)(C).
[1229] Treas. Reg. sec. 1.45X–3(f).
[1230] Sec. 45X(d)(2).
[1231] Treas. Reg. sec. 1.45X–1(d)(2).
[1232] Sec. 45X(d)(1) and (3).

For taxable years beginning two years after the date of enactment, an eligible component for purposes of the credit does not include any property that includes material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)) or is produced subject to a licensing agreement, valued in excess of $1,000,000, with a prohibited foreign entity (as defined in section 7701(a)(51)).

No credit is allowed for any taxable year beginning after the date that is two years after the date of enactment of the Act if the taxpayer makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount (1) to a prohibited foreign entity in an amount equal to or greater than 5 percent of such total payments made by the taxpayer, related to the production of eligible components within such eligible component category, during the taxable year or (2) to more than one prohibited foreign entity in an amount that, in aggregate, is equal to or greater than 15 percent of such total payments made by the taxpayer, related to the production of eligible components within such eligible component category, during the taxable year. For this purpose, the eligible component categories are solar energy components, wind energy components, certain inverters, qualifying battery components, and applicable critical minerals.[1233]

The provision modifies the phaseout of the credit. Wind energy components sold after December 31, 2027, do not qualify for the credit. All other eligible components, including applicable critical minerals, sold after December 31, 2031, do not qualify for the credit.

The provision terminates transferability of the credit attributable to components sold after December 31, 2027.

EFFECTIVE DATE

In general, the provision is effective for taxable years beginning after the date of enactment. The repeal of transferability is effective for components sold after December 31, 2027.

PHASE-OUT OF CREDIT FOR CERTAIN ENERGY PROPERTY (SEC. 112015 OF THE BILL AND SECS. 48 AND 6418 OF THE CODE)

PRESENT LAW

In general

An investment credit is available for qualified energy property originally placed in service by the taxpayer.[1234] The base credit rate is 6 percent. This rate is increased to 30 percent if certain wage and apprenticeship requirements are met. The credit is generally available for property placed in service before January 1, 2025, except for geothermal heat pump property, which must be placed in service before January 1, 2035.

Qualified property

The following types of property qualify for the energy credit.

- Solar energy property

[1233] Eligible components are categorized according to section 45X(c)(1)(A).
[1234] Sec. 48.

- Fuel cell property
- Geothermal power property
- Fiber optic solar and electrochromic glass property
- Small wind property
- Waste energy recovery property
- Energy storage technology property
- Biogas property
- Microgrid controller property
- Combined heat and power system property, and
- Geothermal heat pump property

A taxpayer may also make an irrevocable election to have certain property which is part of a qualified renewable electricity production facility treated as energy property eligible for an investment credit under section 48. For purposes of the investment credit, qualified facilities are facilities otherwise eligible for the renewable electricity production credit with respect to which no credit under section 45 has been allowed. A taxpayer electing to treat a facility as energy property may not claim the renewable electricity production credit.

Wage and apprenticeship

A taxpayer can meet the prevailing wage requirements if it ensures that prevailing wages are paid to any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in the construction of an energy project, and for the alteration or repair of such project during the 5-year period beginning on the date the energy project is originally placed in service.[1235] Prevailing wages are wages paid at rates not less than the prevailing wage rates for construction, alteration, or repair of a similar character in the locality as determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31, of title 40, United States Code. Rules for correction and penalties related to failure to satisfy wage requirements similar to those in section 45(b)(7)(B) apply.[1236]

The apprenticeship requirements in section 45(b)(8) require that, generally, not less than a certain percentage of total labor hours of the construction, alteration, or repair work (including work performed by any contractor or subcontractor) on a project must be performed by qualified apprentices.[1237]

Domestic content bonus

Where certain domestic content requirements are satisfied, the energy credit rate is increased by two percentage points (ten percentage points where the wage and apprenticeship requirements are met).[1238] The domestic content requirements are similar to those provided for in section 45(b)(9).[1239]

[1235] Sec. 48(a)(10)(A).

[1236] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.

[1237] *Ibid.*

[1238] Sec. 48(a)(12).

[1239] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.

Reduction of elective payment if domestic content rules are not satisfied

Certain taxpayers may elect to have the credit paid directly to the extent there is insufficient income tax liability to absorb the credit.[1240] The amount of this direct payment is reduced by 10 percent for energy property that begins construction in 2024 if the domestic content requirements described above for the domestic content bonus are not satisfied.[1241] This rule is similar to those provided in section 45(b)(10).[1242]

Credit reduced for tax-exempt bonds

The energy credit is reduced when the qualified property is financed using tax-exempt bonds.[1243] The rules governing this reduction are similar to those provided in section 45(b)(3).[1244]

Energy communities bonus

If energy property is placed in service in an "energy community," the energy credit rate increases by two percentage points (10 percentage points where the wage and apprenticeship requirements are met).[1245] The definition of energy community is the same as that set forth in section 45(b)(11).[1246]

Phase-out of investment credit for geothermal heat pump property

The investment credit for geothermal heat pump property phases out beginning in 2033.[1247] The base credit for geothermal heat pump property that begins construction before January 1, 2033, and is placed in service after December 31, 2021, is six percent. The base credit for geothermal heat pump property that begins construction after December 31, 2032, and before January 1, 2034, is 5.2 percent. The base credit for geothermal heat pump property that begins construction after December 31, 2033, and before January 1, 2035, is 4.4 percent. No investment credit is available for geothermal heat pump property that begins construction on or after January 1, 2035.

Reduction of elective payment if domestic content rules are not satisfied

Under section 6417, applicable entities may elect to have the credit paid directly to the extent there is insufficient tax liability to absorb the credit.[1248] The amount of this direct payment is reduced by 10% for energy property with a maximum net output of 1 megawatt or more (as measured in alternating current) that begins construction in calendar year 2024 if the domestic content re-

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[1240] Sec. 6417.
[1241] Sec. 48(a)(13).
[1242] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.
[1243] Sec. 48(a)(4).
[1244] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.
[1245] Sec. 48(a)(14).
[1246] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.
[1247] Sec. 48(a)(7).
[1248] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.

quirements described above for the bonus credit are not satisfied under rules similar to the rules in section 45(b)(10).[1249]

Transferability

Under section 6418, an eligible taxpayer may elect to transfer all or a portion of a clean electricity investment credit determined with respect to such taxpayer for any taxable year to an unrelated taxpayer.[1250]

REASONS FOR CHANGE

The Committee believes that the Internal Revenue Code should not provide tax benefits to certain types of energy projects over others. The Committee believes that phasing out the credit earlier will promote horizontal equity in the tax treatment of energy projects.

The Committee believes that prohibited foreign entities should not directly or indirectly benefit from U.S. energy tax incentives. Therefore, the Committee believes it is appropriate to disallow the credit if the taxpayer is a specified foreign entity or foreign-influenced entity.

The Committee notes that unlike other business credits, the energy tax credits are given preferential treatment in the Code through the ability to transfer credits to unrelated taxpayers. The Committee believes that tax credits generally should be limited to the taxpayer that engaged in the activity giving rise to the credit. Therefore, the Committee believes it is appropriate to repeal the ability to transfer tax credits to unrelated taxpayers. As some taxpayers may have factored the use of transferability into their near-term investment decisions, the Committee believes it is appropriate to terminate transferability for property that begins construction more than two years after the date of enactment.

EXPLANATION OF PROVISION

The provision modifies the phase-out of the investment credit for geothermal heat pump property. The base credit for geothermal heat pump property that begins construction before January 1, 2030, and is placed in service after December 31, 2021, is six percent. The base credit for geothermal heat pump property that begins construction after December 31, 2029, and before January 1, 2031, is 5.2 percent. The base credit for geothermal heat pump property that begins construction after December 31, 2030, and before January 1, 2032, is 4.4 percent. No investment credit is available for geothermal heat pump property that begins construction on or after January 1, 2032.

The provision disallows any credit for any taxable year beginning after the date of enactment if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

The provision disallows any credit for any taxable year beginning after the date that is two years after the date of enactment if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).

[1249] Sec. 48(a)(13). See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.

[1250] See the present law description for the provision "Phase-out and Restrictions on Clean Electricity Production Credit" above for more detail.

The provision terminates transferability of the credit for property that begins construction after the date that is two years after the date of enactment.

EFFECTIVE DATE

In general, the provision is effective for taxable years beginning after the date of enactment. The repeal of transferability is effective for property that begins construction after the date that is two years after the date of enactment.

INCOME FROM HYDROGEN STORAGE, CARBON CAPTURE ADDED TO QUALIFYING INCOME OF CERTAIN PUBLICLY TRADED PARTNERSHIPS TREATED AS CORPORATIONS (SEC. 112016 OF THE BILL AND SEC. 7704 OF THE CODE)

PRESENT LAW

Partnerships in general

A partnership generally is not treated as a taxable entity (except for certain publicly traded partnerships), but rather, is treated as a pass-through entity. Income earned by a partnership, whether distributed or not, is taxed to the partners.[1251] The character of partnership items passes through to the partners, as if the items were realized directly by the partners.[1252] For example, a partner's share of the partnership's dividend income is generally treated as dividend income in the hands of the partner.

Publicly traded partnerships

Under present law, a publicly traded partnership generally is treated as a corporation for Federal tax purposes.[1253] For this purpose, a publicly traded partnership means any partnership if interests in the partnership are traded on an established securities market, or interests in the partnership are readily tradable on a secondary market (or the substantial equivalent thereof).

An exception from corporate treatment is provided for certain publicly traded partnerships, 90 percent or more of whose gross income is qualifying income.[1254] However, this exception does not apply to any partnership that would be described in section 851(a) if it were a domestic corporation, which includes a corporation registered under the Investment Company Act of 1940 as a management company or unit investment trust.[1255]

Qualifying income includes interest, dividends, and gains from the disposition of a capital asset (or of property described in section 1231(b)) that is held to produce qualifying income. Qualifying income also includes rents from real property, gains from the sale or other disposition of real property, and income and gains from the exploration, development, mining or production, processing, refining, transportation (including pipelines transporting gas, oil, or products thereof), or the marketing of any mineral or natural resource (including fertilizer, geothermal energy, and timber), indus-

[1251] Sec. 701.
[1252] Sec. 702.
[1253] Sec. 7704(a).
[1254] Sec. 7704(c)(2).
[1255] Sec. 7704(c)(3).

trial source carbon dioxide, or the transportation or storage of any alcohol fuel mixture, biodiesel fuel mixture or alternative fuel described in subsection (b), (c), (d), or (e) of section 6426, or any alcohol fuel defined in section 6426(b)(4)(A) or any biodiesel fuel as defined in section 40A(d)(1). It also includes income and gains from commodities (not described in section 1221(a)(1)) or futures, options, or forward contracts with respect to such commodities (including foreign currency transactions of a commodity pool) in the case of partnership, a principal activity of which is the buying and selling of such commodities, futures, options or forward contracts.[1256]

REASONS FOR CHANGE

The Committee is aware of businesses that have made significant investment in technologies and facilities related to the transportation and storage of hydrogen and sustainable aviation fuel, as well as carbon capture technologies. The Committee believes that allowing such businesses the opportunity to operate as publicly traded partnerships will encourage additional investment from the capital markets, thereby providing for further innovation and development of these technologies and workforce job protection within such industries.

EXPLANATION OF PROVISION

The provision expands the definition of qualifying income of a publicly traded partnership to include income and gains with respect to the transportation or storage of sustainable aviation fuel as described in section 6426(k) or section 40B(d)(1), liquified hydrogen, or compressed hydrogen.

The provision also expands qualifying income of a publicly traded partnership to include income and gains with respect to the generation, availability for such generation, or storage of electric power, as well as the capture of carbon dioxide by a qualified facility.[1257] A qualified facility means any industrial facility or direct air capture facility in which not less than 50 percent of the total carbon oxide production is qualified carbon oxide.[1258]

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2025.

LIMITATION ON AMORTIZATION OF CERTAIN SPORTS FRANCHISES (SEC. 112017 OF THE BILL AND SEC. 197 OF THE CODE)

PRESENT LAW

Under section 197, the adjusted basis of an "amortizable section 197 intangible" held in connection with a trade or business is amortizable on a straight-line basis over 15 years.[1259] Section 197 intangibles include goodwill; going concern value; workforce in place in-

[1256] Sec. 7704(d).
[1257] As defined in Sec. 45Q(d), determined without regard to any date by which construction of the facility is required to begin.
[1258] Sec. 45Q(c).
[1259] Sec. 197(a) and 197(c).

cluding its composition and terms and conditions (contractual or otherwise) of its employment; business books and records, operating systems, or other information base; any patent, copyright, formula, process, design, pattern, knowhow, format, or similar item; customer based intangibles; supplier based intangibles; and any other similar item.[1260] The definition of a section 197 intangible also includes any license, permit, or other rights granted by governmental units (even if the right is granted for an indefinite period or is reasonably expected to be renewed indefinitely); any covenant not to compete; and any franchise, trademark, or trade name.[1261]

REASONS FOR CHANGE

The Committee believes that the owners of sports teams unfairly benefit from the amortization of intangibles acquired in connection with a sports team. The current amortization deductions available may allow sports team owners to offset losses attributable to a sports team against other income.

EXPLANATION OF PROVISION

The provision excludes 50 percent of the adjusted basis of an amortizable section 197 asset from amortization in the case of a franchise engaged in professional football, basketball, baseball, hockey, soccer, or other professional sport, or any item acquired in connection with such a franchise.

EFFECTIVE DATE

The provision applies to section 197 intangibles acquired after the date of enactment.

LIMITATION ON INDIVIDUAL DEDUCTIONS FOR CERTAIN STATE AND LOCAL TAXES, ETC. (SEC. 112018 OF THE BILL AND SECS. 56, 164, 275, 702, 703, 704, 6031, AND 6037 AND NEW SEC. 6659 OF THE CODE)

PRESENT LAW

Limitation on individual deductions for certain State and local and foreign tax payments for taxable years 2018 through 2025

Public Law 115–97 provided that in the case of an individual[1262] and a taxable year beginning after December 31, 2017, and before January 1, 2026, as a general matter, State and local[1263] income, war profits, and excess profits taxes are not allowable as a deduction, and State and local and foreign property taxes and State and local sales taxes are allowed as a deduction only when paid or accrued in carrying on a trade or business or an activity described in section 212 (relating to expenses for the production of income).[1264] However, an individual may claim an itemized deduction of up to $10,000 ($5,000 for a married taxpayer filing a separate

[1260] Sec. 197(d).
[1261] *Ibid.*
[1262] See sec. 641(b) regarding the computation of taxable income of an estate or trust in the same manner as an individual.
[1263] State and local taxes include taxes imposed by a State, a U.S. possession, or a political subdivision of any of the foregoing, or by the District of Columbia. Sec. 164(b)(2).
[1264] Sec. 164(b)(6).

return) for the aggregate of (i) State and local property taxes not paid or accrued in carrying on a trade or business or an activity described in section 212, and (ii) State and local income, war profits, and excess profits taxes (or sales taxes in lieu of income, etc. taxes) paid or accrued in the taxable year.[1265] Foreign real property taxes may not be deducted under this exception.

For taxable years beginning after January 1, 2026, an individual is permitted a deduction for certain taxes paid or accrued, whether or not incurred in a trade or business. These taxes are: (i) State and local and foreign real property taxes,[1266] (ii) State and local personal property taxes,[1267] (iii) State and local and foreign income, war profits, and excess profits taxes,[1268] and (iv) other State and local and foreign taxes not described in the preceding clauses which are paid or accrued in carrying on a trade or business or an activity described in section 212.[1269] At the election of the taxpayer, an itemized deduction may be taken for State and local general sales taxes in lieu of the itemized deduction for State and local income taxes.[1270] Property taxes are allowed as a deduction in computing adjusted gross income if incurred in connection with property used in a trade or business; otherwise, they are an itemized deduction.[1271] In the case of State and local income taxes, the deduction is an itemized deduction notwithstanding that the tax may be imposed on profits from a trade or business.[1272] Individuals also are permitted a deduction for Federal and State generation-skipping transfer taxes imposed on certain income distributions that are included in the gross income of the distributee.[1273]

In determining a taxpayer's alternative minimum taxable income, no itemized deduction for property, income, or sales tax is allowed.[1274]

State and taxpayer responses to Public Law 115–97

Credits for charitable contributions

In response to the temporary limitation on individual deductions for tax payments enacted by Public Law 115–97, some taxpayers sought to rely on State or local tax credit programs under which States or local jurisdictions provide tax credits in return for contributions by taxpayers to or for the use of certain entities described in section 170(c). On June 13, 2019, the IRS issued final regulations,[1275] effective for transfers made after August 27, 2018, generally providing that if a taxpayer makes a payment or transfers property to or for the use of an entity described in section 170(c), the amount of the taxpayer's charitable contribution deduction under section 170(a) is reduced by the amount of any State or

[1265] Sec. 164(b)(6)(B).
[1266] Sec. 164(a)(1).
[1267] Sec. 164(a)(2).
[1268] Sec. 164(a)(3). A foreign tax credit, in lieu of a deduction, is allowable for foreign income, war profits, and excess profits taxes if the taxpayer so elects. Sec. 901.
[1269] Sec. 164(a).
[1270] Sec. 164(b)(5).
[1271] Sec. 62(a)(1).
[1272] See Committee Report to accompany H.R. 4646, Individual Income Tax Bill of 1944, H.R. Rep. No. 78–1365, April 24, 1944, p. 23.
[1273] Sec. 164(a)(4).
[1274] Sec. 56(b)(1)(A).
[1275] T.D. 9864, 84 Fed. Reg. 27513, June 13, 2019.

local tax credit the taxpayer receives or expects to receive in consideration for the payment or transfer.[1276]

Employer wage tax and employee credit

In 2018, the State of New York implemented an Employer Compensation Expense Program, under which employers may elect to pay a quarterly tax to New York of up to 5% of certain wages and compensation paid to employees employed in New York. A New York employee of an electing employer may then claim a nonrefundable credit against such employee's New York State personal income tax, equal to the tax paid by the employer with respect to such employee's wages and compensation. In effect, such employee may partially avoid the temporary Federal limitation on individual tax deductions by converting a personal income tax liability (potentially nondeductible for the employee) into an employer-level tax liability (deductible for the employer).

Passthrough entity taxes

For Federal tax purposes, a partner of a partnership must take into account separately such partner's distributive share of the partnership's: (1) short-term capital gain or loss, (2) long-term capital gain or loss, (3) gain or loss from the sale or exchange of section 1231 business property, (4) charitable contributions, (5) qualified dividend income and dividends eligible for certain deductions,[1277] (6) income taxes paid to foreign countries and U.S. possessions, (7) other items of income, gain, loss, deduction or credit to the extent provided by regulations prescribed by the Secretary, and (8) partnership taxable income or loss exclusive of the items listed above requiring separate computation.[1278] The Secretary has provided by regulation that a partner of a partnership must take into account separately such partner's distributive share of any partnership item which, if separately taken into account by any partner, would result in an income tax liability for that partner, or for any other person, different from that which would result if that partner did not take the item into account separately.[1279] For a partner's Federal income tax purposes, the character of the partner's distributive share of any separately stated item of income, gain, loss, deduction, or credit (*i.e.*, (1)–(7) above) is determined as if such item were realized directly from the source from which realized by the partnership, or incurred in the same manner as incurred by the partnership.[1280]

A partnership computes its taxable income in the same manner as an individual, except that the items required to be taken into account separately by the partners must be separately stated, and the following deductions are disallowed: (1) the deduction for personal exemptions, (2) the deduction for income taxes paid to foreign countries and U.S. possessions, (3) the charitable contribution deduction, (4) the net operating loss deduction, (5) certain additional

[1276] Treas. Reg. sec. 1.170A–1(h)(3)(i). A corresponding regulation was issued for estates and trusts. Treas. Reg. sec. 1.642(c)–3(g).
[1277] See secs. 243, 245, and 245A.
[1278] Sec. 702(a).
[1279] Treas. Reg. sec. 1.702–1(a)(8)(ii).
[1280] Sec. 702(b).

itemized deductions for individuals, and (5) the deduction for depletion with respect to oil and gas wells.[1281]

An S corporation shareholder must take into account separately such shareholder's pro rata share of the corporation's items of income, loss, deduction, or credit, the separate treatment of which could affect the liability for tax of any shareholder.[1282] The character of any such separately stated item included in the shareholder's pro rata share is determined as if such item were realized directly from the source from which realized by the corporation, or incurred in the same manner as incurred by the corporation.[1283] An S corporation computes its taxable income in the same manner as an individual, except that (among other things) the items required to be taken into account separately by the shareholders must be separately stated, and any deductions which must be taken into account separately by the shareholders are disallowed.[1284]

In the Committee Report to accompany H.R. 1, Tax Cuts and Jobs Act, the explanation of the temporary limitation on individual tax deductions contained the following clarification: "[T]axes imposed at the entity level, such as a business tax imposed on passthrough entities, that are reflected in a partner's or S corporation shareholder's distributive or pro-rata share of income or loss on a Schedule K–1 (or similar form), will continue to reduce such partner's or shareholder's distributive or pro-rata share of income as under present law." [1285]

In a Notice published on November 30, 2020, the IRS announced its intention to issue regulations providing that State and local income tax payments made by partnerships and S corporations are deductible by such partnerships and S corporations in computing non-separately stated income or loss.[1286] Although the IRS has not issued any such regulations to date, many States have enacted passthrough entity tax regimes, under which certain partnerships and S corporations may elect to pay an entity-level income tax to a State, in return for which some or all of the entity's owners may claim a credit against their personal income tax liability owed to such State, of equal or approximately equal value to their distributive or pro rata share of the entity's tax payment. In effect, Notice 2020–75 provided authority for certain passthrough entity owners to partially avoid the temporary Federal limitation on individual tax deductions by converting a personal income tax liability (potentially nondeductible for such owners) into an entity-level tax liability (putatively deductible for the entity in computing non-separately stated income).

Limitation on allowance of partnership losses

A partner's distributive share of partnership loss (including capital loss) is allowed only to the extent of the adjusted basis (before reduction by current year's losses) of the partner's interest in the

[1281] Sec. 703(a).
[1282] Sec. 1366(a) and (b).
[1283] Sec. 1366(b).
[1284] Sec. 1363(b).
[1285] Conference Report to accompany H.R. 1, Tax Cuts and Jobs Act, H.R. Rep. No. 115–466, December 15, 2017, p. 260 n. 172.
[1286] Notice 2020–75, 2020–49 I.R.B. 1453, November 30, 2020.

partnership at the end of the partnership taxable year in which the loss occurred.[1287] Any disallowed loss is allowable as a deduction at the end of the first succeeding partnership taxable year, and subsequent taxable years, to the extent that the partner's adjusted basis in its partnership interest at the end of any such year exceeds zero (before reduction by the loss for the year).[1288] A partner's basis in its partnership interest is increased each year by such partner's distributive share of partnership income (including tax exempt income), and the partner's basis is decreased each year (but not below zero) by distributions by the partnership to such partner and by such partner's distributive share of partnership losses and of expenditures of the partnership not deductible in computing partnership taxable income and not properly chargeable to capital account.[1289]

In determining a partner's distributive share of partnership loss for purposes of the basis limitation on losses, there is taken into account not only the partner's distributive shares of separately stated and non-separately stated partnership losses but also the partner's distributive share of the partnership's charitable contributions and income taxes paid to foreign countries and to U.S. possessions.[1290] If the aggregate of a partner's distributive shares of the items of partnership loss for these purposes (including capital loss, section 1231 business property loss, non-separately stated loss, charitable contributions, and foreign and U.S. possession income taxes) exceeds the partner's adjusted basis (before reduction by current year's losses), the limitation on loss is allocated to the partner's distributive share of each such loss item. This allocation is determined by taking the proportion that the partner's distributive share of each loss item bears to the aggregate of the partner's distributive shares of the loss items (including losses disallowed and carried forward from prior years).[1291]

Capitalization of State and local and foreign taxes

A taxpayer generally may not deduct and, instead, must capitalize amounts paid to facilitate the acquisition of real or personal property, including sales and transfer taxes.[1292]

In the case of real or tangible property produced by a taxpayer, as well as inventory acquired by the taxpayer for resale, the taxpayer generally must capitalize, or include in inventory costs, both the direct costs of such property and such property's proper share of indirect costs (including taxes) allocable to such property.[1293]

A taxpayer may elect, as provided by regulations, to capitalize certain taxes and carrying charges with respect to property that

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[1287] Sec. 704(d)(1).
[1288] Sec. 704(d)(2) and Treas. Reg. 1.704–1(d)(1).
[1289] Sec. 705(a).
[1290] Sec. 704(d)(3)(A). In the case of a charitable contribution by the partnership of property whose fair market value exceeds its adjusted basis, a special rule provides that the basis limitation on partner losses does not apply to the extent of the partner's distributive share of the excess. Sec. 704(d)(3)(B).
[1291] Treas. Reg. sec. 1.704–1(d)(2).
[1292] Sec. 263(a); Treas. Reg. sec. 1.263(a)–2(f).
[1293] Sec. 263A(a) and (b).

are otherwise deductible,[1294] including annual taxes on unimproved and unproductive real property, certain taxes on real property paid or incurred for such property's development or improvement before the development or improvement work has been completed, and taxes on personal property paid or incurred before such property's installation or being first put into use by the taxpayer.[1295]

Except in the case of real property taxes, personal property taxes, and income taxes, any State or local or foreign tax paid or accrued in connection with an acquisition or disposition of property is treated as part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition.[1296]

REASONS FOR CHANGE

The Committee believes that the deduction for State and local taxes provides an unjustified subsidy to high-tax jurisdictions and their residents, unduly narrows the Federal tax base, and increases tax complexity for families and individuals. However, the Committee recognizes that losing this deduction entirely may be a hardship for many individuals, and accordingly has retained a substantial itemized deduction for an individual's State and local income and property taxes.

The Committee believes that the State and local "workarounds" developed in response to Public Law 115–97 undermine the integrity of the cap on the deductibility of State and local taxes. Furthermore, these workarounds are generally unfair, inefficient, and regressive. Accordingly, the Committee believes that rules are needed to substantially limit current workarounds and prevent the proliferation of additional workarounds. The Committee also believes that certain exceptions to these rules are appropriate for businesses predominantly operating in non-service sectors. These exceptions are warranted due to the substantial competition that these businesses often face from C corporations, which are generally permitted to deduct State and local taxes without limitation.

EXPLANATION OF PROVISION

Limitation on individual deductions for certain tax payments

The provision removes the temporary limitation, enacted by Public Law 115–97, on individual State and local and foreign tax deductions taken under section 164. In its place, the provision modifies section 275, which denies deductions for certain taxes, to permanently deny individuals[1297] a deduction for certain State and local[1298] and foreign taxes.

The provision denies a deduction for "disallowed foreign real property taxes," defined as foreign real property taxes other than

[1294] Sec. 266.
[1295] Treas. Reg. sec. 1.266–1(b)(1).
[1296] Sec. 164(a).
[1297] See sec. 641(b) regarding the computation of taxable income of an estate or trust in the same manner as an individual. See secs. 703(a) and 1363(b) regarding the computation of taxable income of a partnership or S corporation, respectively, in the same manner as an individual. However, see below for a description of the provision's complete denial of a deduction for "specified taxes" in the case of a partnership or S corporation.
[1298] State and local taxes include taxes imposed by a State, a U.S. possession, or a political subdivision of any of the foregoing, or by the District of Columbia. Sec. 164(b)(2).

those paid or accrued in carrying on a trade or business or an activity described in section 212 (relating to expenses for the production of income).

The provision limits the deduction for the taxpayer's aggregate of "specified taxes," defined to comprise: (i) State and local and foreign property taxes, other than disallowed foreign real property taxes and State and local property taxes paid or accrued in a trade or business or an activity described in section 212, (ii) State and local income, war profits, excess profits, and general sales taxes, other than income, etc. taxes paid or accrued by a partnership or S corporation in carrying on a qualified trade or business (within the meaning of section 199A(d)(1)) [1299] if at least 75 percent of the gross receipts (within the meaning of section 448(c)) of all trades or businesses under common control with such partnership or S corporation are derived from qualified trades or business,[1300] (iii) real estate taxes paid by a cooperative housing corporation, and (iv) "substitute payments," as defined below.

A substitute payment is generally defined as any amount (other than a tax already defined as a specified tax) paid, incurred, or accrued to a State or local jurisdiction if, by reason of the payment, one or more persons are entitled to "specified tax benefits" equal to or exceeding 25 percent of the payment. Specified tax benefits are benefits determined with respect to such payment and allowed against, or determined by reference to, a tax already defined as a specified tax. In determining whether a payment is a substitute payment, the following two assumptions apply: First, the value of a tax credit or refund is assumed to be the amount of such credit or refund, and the value of a tax deduction or exclusion is assumed to be 15 percent of the amount of such deduction or exclusion. Second, in the case of a payment by a partnership or S corporation, it is assumed that all the owners of such entity are individuals resident in the jurisdiction of the entity or entities providing the specified tax benefits (and otherwise eligible for such benefits).[1301]

For example, if a taxpayer makes a charitable payment to a State or local entity described in section 170(c) and receives a State or local tax credit in the amount of at least 25 percent payment,

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[1299] A qualified trade or business means any trade or business other than a specified service trade or business or the trade or business of performing services as an employee. A specified service trade or business means any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners, or which involves the performance of services that consist of investing and investment management, trading, or dealing in securities, partnership interests, or commodities. Sec. 199A(d)(2).

[1300] For these purposes, common control is determined under the rules of sec. 52(b).

[1301] The provision excludes a payment from the definition of "substitute payment" to the extent it is nondeductible (other than by reason of the limitation on the charitable contribution deduction, the specific deduction disallowance provisions for partnerships and S corporations, the basis limitation on a partner's current-year share of partnership loss, and the provision's new limitation on specified tax deductions). For instance, if a partnership makes a State income tax withholding payment in respect of distributions to its partners, the payment is not a substitute payment (notwithstanding that the partners receive State income tax credits in the amount of the withholding payment) because it is a nondeductible distribution. The provision also authorizes the Secretary to issue regulations excluding a payment from the definition of "substitute payment" if the payment is an amount withheld on behalf of another person and the full amount is included in such person's Federal gross income. For instance, if a partnership pays a State withholding tax on the wages owed to an employee, the payment should not be a substitute payment (notwithstanding that it is deductible by the partnership and that the employee receives a State income tax credit in the amount of the payment) because the full payment included in the employee's Federal gross income as wages.

or a deduction equal to at least 167 percent of the payment, then the payment is a substitute payment and is included in the taxpayer's aggregate of specified taxes. Likewise, if a partnership not engaged in a qualified trade or business pays a gross receipts tax or personal property tax imposed on the partnership by a State, and by reason of such payment the partnership's partners receive credits against their State personal income tax liabilities, the partnership tax payment is a substitute payment and is included in the partnership's aggregate of specified taxes.

The individual deduction for the aggregate of specified taxes is limited to $30,000 ($15,000 in the case of a married individual filing a separate return). This limitation amount is reduced by 20 percent of the excess of the taxpayer's modified adjusted gross income over $400,000 ($200,000 in the case of a married individual filing separately). However, the limitation amount may not be reduced below $10,000 ($5,000 in the case of a married individual filing separately). Modified adjusted gross income is defined as adjusted gross income increased by any exclusion for foreign earned income, foreign housing costs, and income from sources within certain U.S. possessions.[1302]

Partnerships and S corporations must separately state, and not deduct, specified taxes

The provision modifies the list of items for which a partner of a partnership must separately take into account such partner's distributive share.[1303] The provision requires separate accounting of a partner's distributive share of the partnership's: (i) foreign income, war profits, and excess profits taxes, (ii) income, war profits, and excess profits taxes paid or accrued to U.S. possessions, (iii) specified taxes (other than income, etc. taxes paid or accrued to U.S. possessions), and (iv) disallowed foreign real property taxes. The provision further denies the partnership a deduction for any such taxes or payments in computing its taxable income.[1304] The provision thereby abrogates IRS Notice 2020–75.

Allowable specified tax deductions taken into account for purposes of the basis limitation on partnership losses

The provision modifies the basis limitation on a partner's current-year deduction for such partner's distributive share of partnership losses.[1305] The provision provides that for purposes of the basis limitation, a partner's distributive share of partnership loss generally includes such partner's distributive share of the partnership's specified taxes to the extent that the partner otherwise would be able to deduct such distributive share (taking into account the provision's new limitation on specified tax deductions). If the partner elects the tax credit for income taxes paid to foreign countries and U.S. possessions,[1306] then for purposes of the basis limitation the partner must take into account such partner's full

[1302] Secs. 911, 931, and 933.
[1303] Sec. 702(a).
[1304] These modifications to the provisions governing partnerships and partners induce corresponding modifications (via cross-reference) to the provisions governing S corporations and their shareholders. See secs. 1366(a)(1) and 1363(b)(2).
[1305] Sec. 704(d).
[1306] Sec. 901.

distributive share of the partnership's income taxes paid to U.S. possessions. Otherwise, for purposes of the basis limitation the partner takes into account such partner's distributive share of income taxes paid to U.S. possessions only to the extent that, when added to such partner's distributive share of the rest of the partnership's specified taxes, such amount is otherwise deductible by the partner. Accordingly, if a partner does not have adequate basis to account for such partner's full distributive share of otherwise deductible specified taxes (in addition to other partnership items taken into account for purposes of the basis limitation), some or all of such distributive share is denied as a deduction in the current year and carried forward to future years.

Addition to tax for State and local allocation mismatches

The provision imposes an addition to the Federal income tax owed by an individual, estate, or trust in the case of a "State and local tax allocation mismatch." Such a mismatch occurs whenever (1) a partnership of which the taxpayer is a direct or indirect partner pays or accrues a specified tax, (2) the taxpayer is entitled to specified tax benefits with respect to the partnership specified tax payment, and (3) such specified tax benefits exceed the taxpayer's distributive share of the partnership specified tax payment. For these purposes, a specified tax benefit is any benefit determined with respect to the partnership specified tax payment and allowed against, or determined by reference to, a specified tax (other than a substitute payment) owed by the taxpayer.

The addition to tax equals the product of (i) the highest rate in effect under section 1 of the Code, and (ii) the taxpayer's aggregate State and local tax allocation mismatches for the taxable year. For purposes of computing the value of an allocation mismatch, any specified tax benefit received by the taxpayer is deemed to equal the increase in specified tax liability (or reduction in credit or refund) that the taxpayer would incur in the taxable year if such benefit were not taken into account, plus, in the case of any carryforward of some or all of the specified tax benefit, the amount of such carryforward (in the case of a credit or refund) or the amount of such carryforward multiplied by the highest rate imposed on individuals under the relevant State or local tax (in the case of a deduction or exclusion). In lieu of the foregoing computation, the taxpayer may elect to determine the value of a specified tax benefit under the following simplified approach: The value of a credit or refund is the amount of such credit or refund, and the value of a deduction or exclusion is 15 percent of such deduction or exclusion.

The operation of the provision's new addition to tax may be illustrated by the following example: Partnership P is a State S partnership. One of P's partners is individual I (whose specified taxes exceed his Federal deduction limitation for the year), and the other is corporation C (a C corporation). P pays an entity-level income tax imposed by S, by reason of which I is entitled to a credit against his personal income tax liability owed to S. For Federal tax purposes, P allocates the entire entity-level income tax payment to C, which is not subject to a Federal deduction limitation on specified taxes. Unless P is compelled to modify the allocation for lack

of substantial economic effect,[1307] the provision's new addition to tax increases I's Federal income tax liability to approximately the amount that I would have owed had P allocated the entity-level income tax payment to I in proportion to I's S-level tax credit (relative to C's S-level tax credit, if any).

Limitation on capitalization of specified taxes

The provision prohibits an individual[1308] from charging any specified tax (including a substitute payment) to capital account under any provision of the Code, including without limitation sections 263 (dealing with amounts paid out for property or improvements), 263A (dealing with real or personal property produced by the taxpayer or acquired for resale), 471 (dealing with inventories), 266 (providing an election to treat certain otherwise deductible taxes as chargeable to capital account), and 164(a) (dealing with certain State and local and foreign taxes paid or accrued in connection with an acquisition or disposition of property).

Accordingly, a taxpayer may not rely on capitalization to take future-year deductions for specified taxes that are denied in the current taxable year.

Reporting by partnerships and S corporations with respect to specified service trade or business income

The provision requires partnerships and S corporations to report, both on their own returns (Form 1065 and Form 1120–S, respectively) and their reports to owners (Schedule K–1), whether or not they derived any gross receipts (within the meaning of section 448(c)) from specified service trades or businesses (within the meaning of section 199A(d)(2)) in the taxable year.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXCESSIVE EMPLOYEE REMUNERATION FROM CONTROLLED GROUP MEMBERS AND ALLOCATION OF DEDUCTION (SEC. 112019 OF THE BILL AND SEC. 162(m) OF THE CODE)

PRESENT LAW

In general

Under present law, an employer generally may deduct reasonable compensation for personal services as an ordinary and necessary business expense. Section 162(m) provides an explicit limitation on the deductibility of compensation expenses in the case of publicly traded corporate employers.[1309] The otherwise allowable

[1307] See sec. 704(b)(2).

[1308] See section 641(b) regarding the computation of taxable income of an estate or trust in the same manner as an individual. See secs. 703(a) and 1363(b) regarding the computation of taxable income of a partnership or S corporation, respectively, in the same manner as an individual.

[1309] Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103–66, sec. 13211, August 10, 1993 ("OBRA 1993"). Pub. L. No. 115–97, sec. 13601, December 22, 2017 ("Public Law No. 115–97"), modified section 162(m) for taxable years beginning after December 31, 2017 (with a transition rule for remuneration provided pursuant to a binding contract which was in effect on November 2, 2017, and which was not modified in any material respect on or after such date). For a detailed description of prior law and the changes made by Public Law No. 115–97, see Joint

deduction for compensation with respect to a covered employee of a publicly held corporation is limited to no more than $1 million per year.[1310] The deduction limitation applies when the deduction attributable to the compensation would otherwise be taken.

Publicly held corporation

For purposes of the section 162(m) deduction disallowance, a publicly held corporation means any corporation which is an issuer of securities required to be registered under section 12 of the Securities Exchange Act of 1934 [1311] ("Exchange Act"), or any issuer that is required to file reports under section 15(d) of such Act.[1312] All U.S. publicly traded companies, including their foreign affiliates, and foreign companies publicly traded through American depository receipts ("ADRs") are subject to the registration requirement of section 12 of the Exchange Act. An issuer required to file reports under section 15(d) of the Exchange Act may also include certain additional corporations that are not publicly traded, such as large private C corporations or S corporations.

Under present law, section 162(m) does not include an entity aggregation rule.

Covered employee

Section 162(m)(3)(A), (B) and (D) defines a covered employee as (1) the principal executive officer or principal financial officer of the corporation (or an individual acting in such capacity) at any time during the taxable year, or was an individual acting in such a capacity, (2) any employee whose total compensation is required to be reported to shareholders under the Exchange Act by reason of being among the corporation's three most highly compensated officers for the taxable year (other than the principal executive officer or principal financial officer), and (3) any individual who was a covered employee with respect to the corporation for any preceding taxable year beginning after December 31, 2016.[1313]

In the case of taxable years beginning after December 31, 2026, the definition of a "covered employee" (in section 162(m)(3)(C)) also includes the next five highest-compensated employees of the corporation (regardless of whether they are officers), for a total of at least 10 covered employees for each taxable year.[1314] However, these additional covered employees are only covered employees for the taxable year(s) in which they are among the five highest compensated employees of the corporation, other than the five officers whose compensation is subject to the deduction limitation.

REASONS FOR CHANGE

The Committee believes that adding an entity aggregation rule would eliminate the ability of taxpayers to avoid the application of

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Committee on Taxation, *General Explanation of Public Law No. 115–97* (JCS–1–18), December 2018, pp. 257–263. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[1310] Sec. 162(m)(1).

[1311] Pub. L. No. 73–291, June 6, 1934; 15 U.S.C. sec. 78a, *et seq.*

[1312] Sec. 162(m)(2). See also Treas. Reg. sec. 1.162–33(c)(1).

[1313] See also, Treas. Reg. sec. 1.162–33(c)(2).

[1314] Sec. 162(m)(3)(C) as added by section 9708 of the American Rescue Plan Act of 2021 ("ARPA"), Pub. L. No. 117–2, March 11, 2021.

the section 162(m) deduction disallowance rule by, for example, paying a covered employee's compensation from an affiliated partnership rather than directly from the publicly held corporation.

EXPLANATION OF PROVISION

The provision adds an entity aggregation rule to section 162(m) for purposes of the deduction disallowance. The rule provides that in the case of any publicly held corporation which is a member of a controlled group, if any person which is a member of such controlled group provides applicable employee remuneration to an individual who is a specified covered employee of such controlled group and the aggregate amount of applicable employee remuneration provided by all such members with respect to such specified covered employee exceeds $1,000,000 then the deduction allowed to such members of the controlled group for the applicable employee remuneration paid to such specified covered employee is limited to $1,000,000.[1315] Controlled group means any group treated as a single employer under the rules used to treat related entities as a single employer for other employee benefit purposes.[1316]

A specified covered employee means (1) a covered employee described in paragraphs (A), (B) or (D) of section 162(m)(3)[1317] with respect to the publicly held corporation which is a member of such controlled group, and (2) any employee described in section 162(m)(3)(C)[1318] if such subparagraph were applied by taking into account the employees of all members of the controlled group.

In any case in which remuneration is paid to the specified covered employee by more than one member of the controlled group for a taxable year and the aggregate amount of such remuneration exceeds $1 million (determined without regard to this rule), the provision allocates the amount of the $1 million deduction among each member of the controlled group that paid remuneration to such specified covered employee for the taxable year. The term "allocable limitation amount" means with respect to any member of the controlled group with respect to any specified covered employee of such controlled group, the amount which bears the same ratio to $1,000,000 as (1) the amount of applicable employee remuneration provided by such member with respect to such specified covered employee bears to (2) the aggregate amount of applicable employee remuneration provided by all such members with respect to such specified covered employee.[1319]

[1315] In other words, if the renumeration of an employee exceeds $1 million in a taxable year taking into account remuneration paid to that employee by any member of the employer's controlled group, the amount of the remuneration paid to such employee that exceeds $1 million results in a disallowance of the deduction to the employer(s) in the amount of the excess. For example, if the publicly held corporation pays $750,000 in remuneration to Employee A and another member of the controlled group pays $750,000 to Employee A, the total amount of remuneration to that employee in the taxable year is $1,500,000, however, the deduction to the publicly held corporation and the member of the controlled group that paid the remuneration to Employee A is limited between them to $1,000,000 and the excess of $500,000 [$1,500,000–$1,000,000] is subject to a deduction disallowance.

[1316] Under sec. 414(b), (c), (m), and (o).

[1317] As described above.

[1318] As described above.

[1319] In the example described in footnote 1314, the amount of the $1,000,000 deduction would be allocated equally to the publicly held corporation and the member of the controlled group that each paid $750,000 in applicable employee remuneration to Employee A. Each would be permitted to deduct $500,000 [$1,000,000 × [$750,000 divided by $1,500,000] = $500,000]. The excess amount of $500,000 [$1,500,000 − $1,000,000] results in a $250,000 deduction disallow-

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2025.

EXPANDING APPLICATION OF TAX ON EXCESS COMPENSATION WITHIN TAX-EXEMPT ORGANIZATIONS (SEC. 112020 OF THE BILL AND SEC. 4960 OF THE CODE)

PRESENT LAW

In general

The Code imposes an excise tax on employers who pay over $1 million in remuneration or who pay an excess parachute payment to certain highly-paid employees of tax-exempt organizations.[1320] Specifically, an employer is liable for an excise tax equal to the corporate tax rate (21 percent) multiplied by the sum of (1) any remuneration (other than an excess parachute payment) in excess of $1 million paid to a covered employee by an applicable tax-exempt organization for a taxable year, and (2) any excess parachute payment paid by the applicable tax-exempt organization to a covered employee. Accordingly, the excise tax applies as a result of an excess parachute payment even if the covered employee's remuneration does not exceed $1 million.

A covered employee for this purpose is an employee (including any former employee) of an applicable tax-exempt organization if the employee is one of the five highest compensated employees of the organization for the taxable year or was a covered employee of the organization (or a predecessor) for any preceding taxable year beginning after December 31, 2016.[1321]

An "applicable tax-exempt organization" is an organization exempt from tax under section 501(a), an exempt farmers' cooperative,[1322] a Federal, State or local governmental entity with excludable income,[1323] or a political organization.[1324]

Rules regarding remuneration

For purposes of the timing of application of the excise tax, remuneration is treated as paid when there is no substantial risk of forfeiture of the rights to such remuneration. The rights of a person to compensation are subject to a substantial risk of forfeiture if such rights are conditioned upon the future performance of substantial services by any individual.[1325] Accordingly, the tax imposed by this provision may apply to the value of remuneration that is vested even if it is not yet received. Therefore, the excise tax may apply to remuneration at a time that is different than the

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ance to each of the two members of the controlled group, since each paid $750,000 in remuneration to the covered employee [$750,000 − $500,000, or $250,000].

[1320] Sec. 4960.

[1321] Sec. 4960(c)(2).

[1322] Sec. 521(b).

[1323] Sec. 115(1).

[1324] Sec. 527(e)(1).

[1325] Substantial risk of forfeiture is defined with reference to section 457(f)(3)(B). Sec. 4960(a).

time remuneration is required to be included in gross income as wages.[1326]

Remuneration for this purpose means wages as defined for income tax withholding purposes,[1327] but does not include any designated Roth contribution.[1328] In addition, the definition of remuneration for this purpose includes amounts required to be included in gross income under section 457(f), which applies to certain deferred compensation plans of a State or local government or a tax-exempt entity.[1329] Remuneration paid to a licensed medical professional (including a veterinarian) that is directly related to the performance of medical or veterinary services by such professional is not taken into account, whereas remuneration paid to such a professional in any other capacity is taken into account.[1330] Thus, for example, if a surgeon performs direct medical services as part of his or her medical practice, and also performs services that are not direct medical services (such as teaching, research, or acting as dean, officer, or board member of a hospital), that portion of such a medical professional's remuneration attributable to those services that are direct medical services is not treated as remuneration.

Remuneration of a covered employee includes any remuneration paid with respect to employment of the covered employee by any person or governmental entity related to the applicable tax-exempt organization.[1331] A person or governmental entity is treated as related to an applicable tax-exempt organization if the person or governmental entity (1) controls, or is controlled by, the organization, (2) is controlled by one or more persons that control the organization, (3) is a supported organization [1332] during the taxable year with respect to the organization, (4) is a supporting organization [1333] during the taxable year with respect to the organization, or (5) in the case of a voluntary employees' beneficiary association ("VEBA"),[1334] establishes, maintains, or makes contributions to the VEBA.[1335] The Secretary is directed to prescribe regulations as may be necessary to prevent avoidance of the excise tax, including

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[1326] For example, even though remuneration may be vested in one year but paid within the first two and one-half months of the following year such that the income inclusion is required in the year paid, the remuneration is treated as paid for this purpose in the year when vested. Additionally, earnings on previously vested remuneration, even if paid or payable in future years, are treated as paid for this purpose as they accrue.

[1327] Sec. 3401(a).

[1328] Under section 402A(c), a designated Roth contribution is an elective deferral (that is, a contribution to a tax-favored employer-sponsored retirement plan made at the election of an employee) that the employee designates as not being excludable from income.

[1329] Such amounts may not be treated as wages under section 3401(a), but are treated as remuneration for purposes of the excise tax application. Sec. 457(f) applies to an "ineligible" deferred compensation plan of a State or local government or a tax-exempt employer (that is, a plan that does not meet the requirements to be an eligible plan under section 457(b)). Under an ineligible plan, deferred amounts are treated as nonqualified deferred compensation and includible in income for the first taxable year in which there is no substantial risk of forfeiture of the rights to such compensation. For this purpose, a person's rights to compensation are subject to a substantial risk of forfeiture if the rights are conditioned on the future performance of substantial services by any individual. Earnings post-vesting are generally taxed when paid.

[1330] Sec. 4960(c)(3)(B).

[1331] Sec. 4960(c)(4). Under Treasury regulations, remuneration paid to a covered employee of an applicable tax-exempt organization includes remuneration paid by a related organization with respect to services performed as an employee for the related organization. Treas. Reg. sec. 53.4960–2(b)(2).

[1332] Sec. 509(f)(3).

[1333] Sec. 509(a)(3).

[1334] Sec. 501(c)(9).

[1335] Sec. 4960(c)(4)(B); see also Treas. Reg. sec. 53.4960–1(i) (providing rules for determining whether a person or governmental entity is a related organization with respect to an applicable tax-exempt organization).

preventing such avoidance through the performance of services other than as an employee or by providing compensation through a pass-through or other entity.

Remuneration of a covered employee that is not deductible by reason of the $1 million limit on deductible compensation under section 162(m) is not taken into account for this purpose.[1336]

Excess parachute payment

An excess parachute payment is the amount by which any parachute payment exceeds the portion of the base amount allocated to the payment. A parachute payment is a payment in the nature of compensation to (or for the benefit of) a covered employee if the payment is contingent on the employee's separation from employment and the aggregate present value of all such payments equals or exceeds three times the base amount. The base amount is the average annualized compensation includible in the covered employee's gross income for the five taxable years ending before the date of the employee's separation from employment. Parachute payments do not include payments under a qualified retirement plan, a simplified employee pension plan, a simple retirement account, a tax-deferred annuity,[1337] or an eligible deferred compensation plan of a State or local government employer.[1338] Parachute payments include amounts contingent on separation from employment from severance and deferred compensation plans (including supplemental executive retirement plans), and do not exclude *bona fide* severance or separation pay plans under section 457(f) or section 409A.

Payments to employees who are not highly compensated employees (within the meaning of section 414(q), $160,000 for 2025), and payments attributable to medical services of certain licensed medical professionals,[1339] are exempt from the definition of parachute payment.

The employer of a covered employee is liable for the excise tax. If remuneration of a covered employee from more than one employer is taken into account in determining the excise tax, each employer is liable for the tax in an amount that bears the same ratio to the total tax as the remuneration paid by that employer bears to the total remuneration paid by all of the employers to the covered employee.

REASONS FOR CHANGE

The Committee believes that the excise tax on excess compensation within a tax-exempt organization should apply to any employee who is paid over $1 million or who receives an excess parachute payment, not only to the five highest-paid employees. The Committee believes that an organization's funding should be used to further its tax-exempt purpose and should not be used to provide numerous employees with exorbitant salaries. Any funding used to-

[1336] Sec. 4960(c)(6).
[1337] Sec. 403(b).
[1338] Sec. 457(b).
[1339] Sec. 4960(c)(4)(C). The principles of allocation described above that apply to determine exempt remuneration attributable to medical services also apply to determine exempt payments attributable to medical services for purposes of parachute payments.

wards highly-paid employee compensation, and not in furtherance of its tax-exempt purpose, may circumvent Congress's original intent when tax-exempt status was created for certain organizations.

EXPLANATION OF PROVISION

The provision revises the definition of a covered employee to mean any employee or former employee of an applicable tax-exempt organization. Thus, an employee need not be one of the five highest compensated employees of the organization for the taxable year or have been a covered employee of the organization (or predecessor) in a taxable year beginning after December 31, 2016, in order to be a covered employee.

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2025.

MODIFICATION OF EXCISE TAX ON INVESTMENT INCOME OF CERTAIN PRIVATE COLLEGES AND UNIVERSITIES (SEC. 112021 OF THE BILL AND SEC. 6033 AND NEW SEC. 4968 OF THE CODE)

PRESENT LAW

In general

Section 4968 imposes an excise tax on an applicable educational institution for each taxable year equal to 1.4 percent of the net investment income of the institution for the taxable year. Net investment income is determined using rules similar to the rules of section 4940(c) (relating to the net investment income of a private foundation). Net investment income generally is the amount by which the sum of gross investment income and the capital gain net income exceeds certain deductions.[1340] Gross investment income is the gross amounts of income from interest, dividends, rents, payments with respect to securities loans, and royalties, but not including any such income to the extent included in computing unrelated business income tax under section 511.[1341] The following items are excluded from gross investment income: (1) interest income from a student loan that was made by the applicable educational institution or a related organization to a student of the institution in connection with the student's attendance at the institution; (2) rental income from the provision of housing by the applicable educational institution or a related organization to students of the institution and from housing for faculty and staff if the housing is provided contingent on their roles as faculty or staff of the institution; and (3) royalty income that is derived from patents, copyrights, and other intellectual property and intangible property to the extent those assets resulted from the work of students or faculty members in their capacities as such with the applicable educational institution.[1342]

[1340] Treas. Reg. sec. 53.4968–2(a)(1).
[1341] Treas. Reg. sec. 53.4968–2(b)(1).
[1342] Treas. Reg. sec. 53.4968–2(b)(2).

An applicable educational institution is an eligible education institution (as defined in section 25A):[1343] (1) that has at least 500 tuition-paying students during the preceding taxable year; (2) more than 50 percent of the tuition-paying students of which are located in the United States; (3) that is not described in the first sentence of section 511(a)(2)(B) of the Code (generally describing State colleges and universities); and (4) the aggregate fair market value of the assets of which at the end of the preceding taxable year (other than those assets that are used directly in carrying out the institution's exempt purpose)[1344] is at least $500,000 per student (the "asset-per-student threshold"). For these purposes, the number of students of an institution is based on the average daily number of full-time students attending the institution, with part-time students being taken into account on a full-time student equivalent basis.

For purposes of determining whether an educational institution meets the asset-per-student threshold[1345] and for purposes of determining net investment income, assets and net investment income of a related organization with respect to the educational institution are treated as assets and net investment income, respectively, of the educational institution, except that:

- No such amount is taken into account with respect to more than one educational institution; and
- Unless the related organization is controlled by the educational institution or is a supporting organization (described in section 509(a)(3)) with respect to the institution for the taxable year, assets and net investment income that are not intended or available for the use or benefit of the educational institution are not taken into account. For example, assets of a related organization that are earmarked or restricted for (or fairly attributable to) the educational institution would be treated as assets of the educational institution, whereas assets of a related organization that are held for unrelated purposes (and are not fairly attributable to the educational institution) would be disregarded.

An organization is treated as related to the institution for this purpose if the organization: (1) controls, or is controlled by, the institution; (2) is controlled by one or more persons that control the institution; or (3) is a supported organization[1346] or a supporting organization[1347] during the taxable year with respect to the institution.

[1343] Section 25A(f)(2) defines an eligible educational institution as an institution that (1) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. sec. 1088), as in effect on August 5, 1997, and (2) is eligible to participate in a program under title IV of such Act.

[1344] Assets used directly in carrying out the institution's exempt purpose include, for example, classroom buildings and physical facilities used for educational activities and office equipment or other administrative assets used by employees of the institution in carrying out exempt activities, among other assets.

[1345] In cross-referencing the asset-per-student threshold for this purpose, section 4968(d)(1) includes a reference to subsection "(b)(1)(C)" that should instead read "(b)(1)(D)." A clerical correction may be necessary to correct this cross-reference.

[1346] Sec. 509(f)(3).

[1347] Sec. 509(a)(3).

Reporting requirements

A private college or university generally must file an annual information return with the IRS using IRS Form 990, "Return of Organization Exempt from Income Tax." Part V, question 16 of the Form 990 for the year 2024 asks whether the filing organization is an educational institution that is subject to the section 4968 excise tax on net investment income. The instructions to the form include a worksheet to assist the organization in making this determination.[1348]

An organization that answers "yes" to question 16 is required to complete Schedule O of IRS Form 4720, "Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code." Form 4720 is used to report certain excise taxes that apply to tax-exempt organizations, including the section 4968 excise tax on the net investment income of private colleges and universities. On Schedule O, the organization must provide information about the net investment income of the filing organization and its related organizations and compute the amount of section 4968 excise tax owed by the organization.

REASONS FOR CHANGE

The Code provides generous tax benefits to private colleges and universities. Despite these generous tax benefits, tax-exempt colleges and universities have been subject to scrutiny in recent years for failing to operate primarily for their tax-exempt purpose, protect students on campus and foster an environment where students can receive an education free from discrimination and harassment, and abuse the tax code in ways that Congress did not intend. Congress believes that in order to allocate tax burdens more fairly, the wealthiest of these institutions should be required to contribute a greater share of their income in taxes.

EXPLANATION OF PROVISION

The provision replaces the excise tax on applicable educational institutions with a new rate structure. Under the provision, the amount of tax imposed on an applicable educational institute for each taxable year is equal to the applicable percentage of the net investment income for the taxable year. The applicable percentage is 1.4 percent in the case of an institution with a student adjusted endowment in excess of $500,000 and not in excess of $750,000; 7 percent in the case of an institution with a student adjusted endowment in excess of $750,000 and not in excess of $1,250,000; 14 percent in the case of an institution with a student adjusted endowment in excess of $1,250,000 and not in excess of $2,000,000; and 21 percent in the case of an institution with a student adjusted endowment in excess of $2,000,000.

The provision modifies the term "applicable educational institution" to mean an eligible education institution (as defined in section 25A(f)(2)): (1) that has at least 500 tuition-paying students during the preceding taxable year; (2) more than 50 percent of the tuition-

[1348] See 2024 Instructions for Form 990, pp. 18–19. The student counts used in determining whether an institution is an applicable educational institution are referenced in the worksheet but are not provided to the IRS.

paying students of which are located in the United States; (3) that is not described in the first sentence of section 511(a)(2)(B) of the Code (generally describing State colleges and universities); (4) that is not a qualified religious institution; and (5) the student adjusted endowment of which is at least $500,000. A qualified religious institution is an institution (i) established after July 4, 1776; (ii) that was established by, or in association with, and has continuously maintained an affiliation with an organization described in section 170(b)(1)(A)(i) (churches and conventions or associations of churches); and (iii) which maintains a published institutional mission that is approved by the governing body of the institution and that includes, refers to, or is predicated upon religious tenets, beliefs, or teachings. For purposes of determining a qualified religious institution, an institution's continuous affiliation applies in cases where the qualified religious institution was affiliated with an organization described in section 170(b)(1)(A)(i) at the time of its establishment and maintains a continuous affiliation with that organization or a successor organization. The student adjusted endowment of an institution for a taxable year is equal to the aggregate fair market value of the assets of the institution (determined as of the end of the preceding taxable year), other than those assets which are used directly in carrying out the institution's exempt purpose, divided by the number of eligible students of the institution. For this purpose, the term "eligible student" means a student of the institution that meets the eligibility requirements under section 484(a)(5) of the Higher Education Act of 1965.[1349] That section requires that the student "be a citizen or national of the United States, a permanent resident of the United States, or able to provide evidence from the Immigration and Naturalization Service that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident."

Under the provision, the Secretary is directed to prescribe regulations or other guidance as necessary to prevent avoidance of the tax, including regulations or other guidance to prevent avoidance of tax through the restructuring of endowment funds or other arrangements designed to reduce or eliminate the value of net investment income or assets subject to the tax.

The provision also requires an applicable educational institution that is required to file an annual information return (Form 990) to include on the return the number of eligible students taken into account for purposes of calculating student adjusted endowment, and the number of students determined after application of section 4968(e) (determining number of students of an institution based on daily attendance).

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

[1349] 20 U.S.C. sec. 1091(a)(5).

INCREASE IN RATE OF TAX ON NET INVESTMENT INCOME OF CERTAIN PRIVATE FOUNDATIONS (SEC. 112022 OF THE BILL AND SEC. 4940 OF THE CODE)

PRESENT LAW

Under section 4940(a), private foundations that are recognized as exempt from Federal income tax under section 501(a) (other than exempt operating foundations)[1350] are subject to an excise tax of 1.39 percent on their net investment income.[1351] Net investment income generally includes interest, dividends, rents, royalties (and income from similar sources), and capital gain net income, and is reduced by expenses incurred to earn this income.

Private foundations that are not exempt from tax under section 501(a), such as certain charitable trusts, are subject to an excise tax under section 4940(b). The tax is equal to the excess of the sum of the excise tax that would have been imposed under section 4940(a) if the foundation were tax exempt and the amount of the tax on unrelated business income that would have been imposed if the foundation were tax exempt, over the income tax imposed on the foundation under subtitle A of the Code.

Private foundations are required to make a minimum amount of qualifying distributions each year to avoid tax under section 4942. The minimum amount of qualifying distributions a foundation has to make to avoid tax under section 4942 is reduced by the amount of section 4940 excise taxes paid.[1352]

REASONS FOR CHANGE

The Committee believes that private foundations receive generous tax benefits. Despite these generous tax benefits, some tax-exempt private foundations have prioritized amassing large amounts of assets instead of distributing these assets in furtherance of their tax-exempt purpose. As such, the Committee believes certain private foundations should contribute a greater share to our tax system than they currently contribute (with the increased tax corresponding to the amount of assets). In addition, a private foundation should not be able to avoid or escape tax by holding assets in a related organization or transferring assets to a related organization.

EXPLANATION OF PROVISION

The provision replaces the 1.39 percent excise tax with a tiered structure. The 1.39 percent rate continues to apply to a private

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[1350] Sec. 4940(d)(1). Exempt operating foundations generally include organizations such as museums or libraries that devote their assets to operating charitable programs but have difficulty meeting the "public support" tests necessary not to be classified as a private foundation. To be an exempt operating foundation, an organization must: (1) be an operating foundation (as defined in section 4942(j)(3)); (2) be publicly supported for at least 10 taxable years; (3) have a governing body no more than 25 percent of whom are disqualified persons and that is broadly representative of the general public; and (4) have no officers who are disqualified persons. Sec. 4940(d)(2).

[1351] Sec. 4940(a). The Taxpayer Certainty and Disaster Relief Act of 2019, Pub. L. 116–94, Div. Q, sec. 206(a), revised the excise tax from two percent to 1.39 percent, effective for taxable years beginning after December 20, 2019. This act also repealed the special reduction in excise tax (to one percent) that applied if the private foundation met certain distribution requirements. *Ibid*. sec. 206(b).

[1352] Sec. 4942(d)(2).

foundation with assets of less than $50 million. In the case of a private foundation with assets equal to or greater than $50 million, but less than $250 million, the rate of the excise tax is 2.78 percent. In the case of a private foundation with assets equal to or greater than $250 million, but less than $5 billion, the rate of the excise tax is five percent, and the rate is 10 percent for a foundation with assets of at least $5 billion.

Assets of a private foundation are determined for this purpose with respect to any taxable year as being the aggregate fair market value of all assets of such private foundation, as of the close of the taxable year. There is no reduction for any liabilities.

Under the provision, assets and net investment income of an organization that is related to the private foundation are treated as assets and net investment income (respectively) of the private foundation. However, no such amount is taken into account with respect to more than one private foundation, and assets and net investment income that are not intended or available for the use or benefit of the private foundation are not taken into account unless the related organization is controlled by the private foundation. For this purpose, an organization is a related organization with respect to a private foundation if the organization controls or is controlled by the private foundation, or the organization is controlled by one or more persons that also control the private foundation. Thus, assets of related organizations are taken into account for purposes of determining the rate of excise tax that applies to the private foundation, and net investment income of related organizations is included for purposes of calculating the excise tax.

EFFECTIVE DATE

The provision is effective for taxable years beginning after the date of enactment.

CERTAIN PURCHASES OF EMPLOYEE-OWNED STOCK DISREGARDED FOR PURPOSES OF FOUNDATION TAX ON EXCESS BUSINESS HOLDINGS (SEC. 112023 OF THE BILL AND SEC. 4943 OF THE CODE)

PRESENT LAW

Public charities and private foundations

An organization qualifying for tax-exempt status under section 501(c)(3) is further classified as either a public charity or a private foundation. An organization may qualify as a public charity in several ways.[1353] Certain organizations are classified as public charities *per se*, regardless of their sources of support. These include churches, certain schools, hospitals and other medical organizations (including medical research organizations), certain organizations providing assistance to colleges and universities, and governmental units.[1354] Other organizations qualify as public charities because they are broadly publicly supported. First, a charity may qualify as publicly supported if at least one-third of its total support is from

[1353] The Code does not expressly define the term "public charity," but rather provides exceptions to those entities that are treated as private foundations.

[1354] Sec. 509(a)(1) (referring to sections 170(b)(1)(A)(i) through (iv) for a description of these organizations).

gifts, grants or other contributions from governmental units or the general public.[1355] Alternatively, it may qualify as publicly supported if it receives more than one-third of its total support from a combination of gifts, grants, and contributions from governmental units and the public plus revenue arising from activities related to its exempt purposes (*e.g.*, fee for service income). In addition, this category of public charity must not rely excessively on endowment income as a source of support.[1356] A supporting organization, *i.e.*, an organization that provides support to another section 501(c)(3) entity that is not a private foundation and meets certain other requirements of the Code, also is classified as a public charity.[1357]

A section 501(c)(3) organization that does not fit within any of the above categories is a private foundation. In general, private foundations receive funding from a limited number of sources (*e.g.*, an individual, a family, or a corporation).

The deduction for charitable contributions to private foundations is in some instances less generous than the deduction for charitable contributions to public charities. In addition, private foundations are subject to a number of operational rules and restrictions that do not apply to public charities, as well as a tax on their net investment income.[1358]

Excess business holdings of private foundations

A private foundation is subject to tax on excess business holdings if it holds more than certain permitted percentages of a business enterprise.[1359] In general, a private foundation is permitted to hold 20 percent of the voting stock in a corporation, reduced by the percentage of voting stock held by all disqualified persons (as defined in section 4946).[1360] A private foundation can hold any amount of nonvoting stock in a corporation if disqualified persons do not own more than 20 percent of the voting stock of the corporation. If it is established that effective control of the corporation is in one or more persons who are not disqualified persons with respect to the foundation, a private foundation and disqualified persons together may own up to 35 percent of the voting stock of a corporation. A

[1355] Treas. Reg. sec. 1.170A–9(f)(2). Failing this mechanical test, the organization may qualify as a public charity if it passes a "facts and circumstances" test. Treas. Reg. sec. 1.170A–9(f)(3).

[1356] To meet this requirement, the organization must normally receive more than one-third of its support from a combination of (1) gifts, grants, contributions, or membership fees and (2) certain gross receipts from admissions, sales of merchandise, performance of services, and furnishing of facilities in connection with activities that are related to the organization's exempt purposes. Sec. 509(a)(2)(A). In addition, the organization must not normally receive more than one-third of its public support in each taxable year from the sum of (1) gross investment income and (2) the excess of unrelated business taxable income as determined under section 512 over the amount of unrelated business income tax imposed by section 511. Sec. 509(a)(2)(B).

[1357] Sec. 509(a)(3). Organizations organized and operated exclusively for testing for public safety also are classified as public charities. Sec. 509(a)(4). Such organizations, however, are not eligible to receive deductible charitable contributions under section 170.

[1358] Unlike public charities, private foundations are subject to tax on their net investment income at a rate of 1.39 percent. Sec. 4940. Private foundations also are subject to more restrictions on their activities than are public charities. For example, private foundations are prohibited from engaging in self-dealing transactions (sec. 4941), are required to make a minimum amount of charitable distributions each year (sec. 4942), are limited in the extent to which they may control a business (sec. 4943), may not make speculative investments (sec. 4944), and may not make certain expenditures (sec. 4945). Violations of these rules result in excise taxes on the foundation and, in some cases, may result in excise taxes on the managers of the foundation.

[1359] Sec. 4943. Taxes imposed may be abated if certain conditions are met. Secs. 4961 and 4962.

[1360] Disqualified persons include, among others, substantial contributors to the foundation, foundation managers, and certain family members of disqualified persons. See sec. 4946.

private foundation is not treated as having excess business holdings in any corporation if it owns (together with certain other related private foundations) not more than two percent of the voting stock and not more than two percent in value of all outstanding shares of all classes of stock in that corporation. Similar rules apply with respect to holdings in a partnership (substituting "profits interest" for "voting stock" and "capital interest" for "nonvoting stock") and to other unincorporated enterprises (by substituting "beneficial interest" for "voting stock"). Private foundations are not permitted to have holdings in a proprietorship.[1361]

The initial tax is equal to 10 percent of the value of the excess business holdings held during the foundation's applicable taxable year. The tax is imposed on the last day of the taxable year, but the amount of the tax is computed using the greatest amount of the excess business holdings during the taxable year.[1362] An additional tax is imposed if an initial tax is imposed and, at the close of the taxable period[1363] with respect to such holdings, the foundation continues to have excess business holdings. The amount of the additional tax is equal to 200 percent of such excess business holdings.

If there is a change in the holdings in a business enterprise (other than by purchase by the foundation or a disqualified person) that causes the private foundation to have excess business holdings, the private foundation generally has five years from the date of the change to dispose of the excess without being subject to tax.[1364] This five-year period may be extended an additional five years in limited circumstances.[1365]

Special grandfathering rules apply to private foundations that had holdings in a business enterprise in excess of the applicable percentage limitations on May 26, 1969. In general, the actual percentage of such holdings as of that date is substituted for 20 percent.[1366] If holdings in the business enterprise subsequently decrease for any reason, the decreased percentage generally is substituted for the previously applicable percentage, and the decreased percentage applies for all subsequent periods (known as the "downward ratchet" rule).[1367]

Employee stock ownership plans

An employee stock ownership plan ("ESOP") is a type of qualified retirement plan[1368] that is a stock bonus plan that is designated as an ESOP and is designed to invest primarily in stock of the em-

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[1361] The excess business holdings rules do not apply to holdings in a functionally related business or to holdings in a trade or business at least 95 percent of the gross income of which is derived from passive sources. Sec. 4943(d)(3).

[1362] This initial tax is not levied on excess business holdings (other than those acquired by purchase) if the foundation disposes of such excess business holdings within 90 days from the date on which it knows or has reason to know of the event that caused it to have such excess holdings. Treas. Reg. sec. 53.4943–2(a)(1)(ii).

[1363] For this purpose, the term "taxable period" means the period beginning on the first day on which there are excess holdings and ending on the earlier of (1) the date of the mailing of a notice of deficiency with respect to tax on such holdings and (2) the date on which the tax on excess business holdings with respect to such excess holdings is assessed. Sec. 4943(d)(2).

[1364] Sec. 4943(c)(6).

[1365] Sec. 4943(c)(7).

[1366] Sec. 4943(c)(4)(a)(i).

[1367] Sec. 4943(c)(4)(a)(ii).

[1368] Sec. 401(a).

ployer, referred to as "qualifying employer securities."[1369] ESOPs are subject to numerous requirements under the Code, including the requirement that a participant who is entitled to a distribution from the plan has a right to demand that his or her benefits be distributed in the form of employer securities.[1370] If the employer securities are not readily tradable on an established market, a participant who is entitled to a distribution from the plan has a right to require that the employer repurchase employer securities under a fair valuation formula.[1371]

REASONS FOR CHANGE

The Committee believes that a private foundation should not be subject to the tax on excess business holdings in certain cases where the tax may be imposed merely because of the application of the ESOP rules relating to repurchases to a business held by the private foundation.

EXPLANATION OF PROVISION

The provision amends the excess business holdings rules so that certain voting stock repurchased by a business enterprise is treated as outstanding stock when calculating a private foundation's present and permitted holdings in the business enterprise under the excess business holdings rules. The provision applies to voting stock that is: (1) not readily tradable on an established securities market; (2) purchased by the business enterprise on or after January 1, 2020, from an employee stock ownership plan (described in Code section 4975(e)(7)) in which employees of such business enterprise participate, in connection with a distribution from such plan; and (3) held by the business enterprise as treasury stock, cancelled, or retired.

The provision applies only to the extent that treating the repurchased stock as outstanding voting stock does not result in permitted holdings exceeding 49 percent (*i.e.,* a minority voting stake). The provision does not apply to purchases of stock made during the 10-year period beginning on the date the plan is established.

The "downward ratchet" rule, described above, does not apply with respect to any decrease in the percentage of holdings in a business enterprise by reason of application of the provision.

EFFECTIVE DATE

The provision is effective for taxable years ending after the date of enactment and to purchases by a business enterprise of voting stock in taxable years beginning after December 31, 2019.

[1369] Sec. 4975(e)(7). Participant accounts in other types of defined contribution plans can also be invested in employer stock.

[1370] Sec. 409(h)(1)(A).

[1371] Sec. 409(h)(1)(B).

UNRELATED BUSINESS TAXABLE INCOME INCREASED BY AMOUNT OF CERTAIN FRINGE BENEFIT EXPENSES FOR WHICH DEDUCTION IS DISALLOWED (SEC. 112024 OF THE BILL AND SEC. 512 OF THE CODE)

PRESENT LAW

Unrelated business income tax

Tax exemption for certain organizations

Section 501(a) exempts certain organizations from Federal income tax. Such organizations include: (1) tax-exempt organizations described in section 501(c) (including among others section 501(c)(3) charitable organizations and section 501(c)(4) social welfare organizations); (2) religious and apostolic organizations described in section 501(d); and (3) trusts forming part of a pension, profit-sharing, or stock bonus plan of an employer described in section 401(a).

Unrelated business income tax, in general

The unrelated business income tax ("UBIT") generally applies to income derived from a trade or business regularly carried on by the organization that is not substantially related to the performance of the organization's tax-exempt-functions.[1372] An organization that is subject to UBIT and that has $1,000 or more of gross unrelated business taxable income must report that income on Form 990–T (Exempt Organization Business Income Tax Return).

Most exempt organizations may operate an unrelated trade or business so long as the organization remains primarily engaged in activities that further its exempt purposes. Therefore, an organization may generally engage in a substantial amount of unrelated business activity without jeopardizing exempt status. A section 501(c)(3) (charitable) organization, however, may not operate an unrelated trade or business as a substantial part of its activities.[1373] Therefore, the unrelated trade or business activity of a section 501(c)(3) organization must be insubstantial.

An organization determines its unrelated business taxable income by subtracting from its gross unrelated business income the deductions directly connected with the unrelated trade or business.[1374]

Organizations subject to tax on unrelated business income

Most exempt organizations are subject to UBIT. Specifically, organizations subject to UBIT generally include: (1) organizations exempt from tax under section 501(a), including organizations described in section 501(c) (except for U.S. instrumentalities and certain charitable trusts);[1375] (2) qualified pension, profit-sharing, and stock bonus plans described in section 401(a);[1376] and (3) certain State colleges and universities.[1377]

[1372] Secs. 511–514.
[1373] Treas. Reg. sec. 1.501(c)(3)–1(e).
[1374] Sec. 512(a).
[1375] Sec. 511(a)(2)(A).
[1376] Sec. 511(a)(2)(A).
[1377] Sec. 511(a)(2)(B).

Exclusions from unrelated business taxable income

Certain types of income are specifically excluded from unrelated business taxable income, such as dividends, interest, royalties, and certain rents,[1378] unless derived from debt-financed property or from certain 50-percent controlled subsidiaries.[1379] Certain types of activities are not considered unrelated trade or business activities, such as activities in which substantially all the work is performed by volunteers, which involve the sale of donated goods, or which are carried on for the convenience of members, students, patients, officers, or employees of a charitable organization.[1380] Additional activities exempt from UBIT include certain activities of trade shows and State fairs,[1381] conducting bingo games,[1382] and the distribution of low-cost items incidental to the solicitation of charitable contributions.[1383]

Specific deduction against unrelated business taxable income

In computing unrelated business taxable income, an exempt organization may take a specific deduction of $1,000. This specific deduction may not be used to create a net operating loss that will be carried back or forward to another year.[1384]

In the case of a diocese, province of a religious order, or a convention or association of churches, there is also allowed a specific deduction with respect to each parish, individual church, district, or other local unit. The specific deduction is equal to the lower of $1,000 or the gross income derived from any unrelated trade or business regularly carried on by the local unit.[1385]

Limitation on employer deductions for qualified transportation fringe

A deduction for the expense of any qualified transportation fringe provided to an employee of the taxpayer is disallowed.[1386] The term "qualified transportation fringe" includes qualified parking,[1387] and therefore encompasses costs associated with providing parking on or near the business premises of the employer.[1388] Under IRS guidance, this includes appropriate allocations of costs with respect to facilities used for parking (*e.g.*, parking lot attendant expenses, property taxes, repairs and maintenance, rent or lease payments, etc.), but does not include depreciation on a parking facility owned by a taxpayer and used for parking by the taxpayer's employees.[1389] The term "qualified transportation fringe" also includes transportation in a commuter highway vehicle if such transportation is in connection with travel between the employee's resi-

[1378] Sec. 512(b).
[1379] Sec. 512(b)(13).
[1380] Sec. 513(a).
[1381] Sec. 513(d).
[1382] Sec. 513(f).
[1383] Sec. 513(h).
[1384] Sec. 512(b)(12).
[1385] *Ibid*.
[1386] Sec. 274(a)(4).
[1387] Sec. 132(f)(1).
[1388] Sec. 132(f)(5)(C).
[1389] Treas. Reg. sec. 1.274–13(b)(12)(i).

dence and place of employment, any transit pass, and any qualified bicycle commuting reimbursement.[1390]

The amount of the deduction disallowance is equal to the amount of direct and other properly allocable costs of the taxpayer to provide the qualified transportation fringe.[1391] Accordingly, the deduction disallowance is not determined by reference to the value of the transportation fringe benefit to the employee.

Generally, the deduction disallowance does not apply to qualified transportation fringe expenses that are treated by the taxpayer as compensation to its employees.[1392]

Annual filing requirement for tax-exempt organizations

A tax-exempt organization generally is required to file an annual information return with the IRS. An organization that has not received a determination of its tax-exempt status, but that claims tax-exempt status under section 501(a), is subject to the same annual reporting requirements and exceptions as organizations that have received a formal determination.

In general, organizations described in section 501(c) and exempt from taxation under section 501(a) are required to file an annual return (Form 990 series), stating specifically the items of gross income, receipts, disbursements, and such other information as the Secretary may prescribe.[1393] An organization that is required to file an information return, but that has gross receipts of less than $200,000 during its taxable year, and total assets of less than $500,000 at the end of its taxable year, may file Form 990–EZ. Section 501(c)(3) private foundations are required to file Form 990–PF rather than Form 990. Any organization that is subject to UBIT and that has $1,000 or more of gross unrelated business taxable income must also file Form 990–T (Exempt Organization Business Income Tax Return).[1394]

The requirement that an exempt organization file an annual information return (Form 990 or Form 990–EZ) does not apply to certain tax-exempt organizations. There are three mandatory exceptions from the filing requirement: (1) churches, their integrated auxiliaries, and conventions or associations of churches;[1395] (2) certain organizations (other than private foundations) the gross receipts of which in each taxable year normally are not more than $5,000;[1396] (3) the exclusively religious activities of any religious order.[1397]

The IRS has relieved certain other organizations from the filing requirement pursuant to its statutory discretionary authority, including certain church-affiliated elementary and high schools and any organization described in section 501(c)(3) (other than a pri-

[1390] Sec. 132(f)(1). The term "qualified transportation fringe" does not include any qualified bicycle commuting reimbursement for taxable years beginning after December 31, 2017, and before January 1, 2026. Sec. 132(f)(8).
[1391] See Treas. Reg. sec. 1.274–13(d)(2)(i)(A) and (d)(3).
[1392] Sec. 274(e)(2); Treas. Reg. sec. 1.274–13(e)(2)(i).
[1393] Sec. 6033(a).
[1394] Tax-exempt organizations also generally must file reports and returns applicable to taxable entities with respect to Social Security taxes and, in certain instances, Federal unemployment taxes.
[1395] Sec. 6033(a)(3)(A)(i).
[1396] Sec. 6033(a)(3)(A)(ii).
[1397] Sec. 6033(a)(3)(A)(iii).

vate foundation of a section 509(a)(3) supporting organization) that normally has annual gross receipts of not more than $50,000, among other organizations.[1398]

REASONS FOR CHANGE

The Committee believes that aligning the tax treatment between for-profit and tax-exempt employers with respect to nontaxable transportation fringe benefits provided to employees will make the tax system simpler and fairer for all organizations. The Committee believes it is desirable to minimize tax and reporting burdens on churches, their integrated auxiliaries, conventions or associations of churches, the exclusively religious activities of any religious order, and certain church-affiliated organizations by exempting such organizations from these rules. The Committee believes that tax-exempt organizations should prioritize using funds to further its tax-exempt purpose instead of providing certain fringe benefits to employees.

EXPLANATION OF PROVISION

Under the provision, unrelated business taxable income of a tax-exempt organization is increased to include any amounts paid or incurred by the organization for any qualified transportation fringe [1399] or any parking facility used in connection with qualified parking [1400] for which a deduction is not allowable by reason of section 274.[1401] The provision does not apply to any amounts that are directly connected with an unrelated trade or business that is regularly carried on by the organization.

For purposes of computing unrelated business taxable income for organizations with more than one unrelated trade or business,[1402] any increase in unrelated business taxable income under the provision is treated as unrelated business taxable income with respect to an unrelated trade or business separate from any other unrelated trade or business of the organization.

However, the provision does not apply to the following organizations: (1) organizations that do not have a filing requirement by reason of section 6033(a)(3)(A)(i) or (iii) (i.e., churches, their integrated auxiliaries, and conventions or associations of churches, and the exclusively religious activities of any religious order), and (2) any church-affiliated organization described in section 501(c) which is not required to file an annual return under section 6033(a)(1) by reason of section 6033(a)(3)(B).

The provision directs the Secretary to issue regulations or other guidance as may be necessary or appropriate to carry out the purposes of this provision, including regulations or other guidance pro-

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[1398] Sec. 6033(a)(3)(B); Treas. Reg. sec. 1.6033–2(g)(1). Treas. Reg. sec. 1.6033–2(g)(1) provides a partial list of organizations that are not required to file annual returns either because they are excepted by statute or because the IRS has exercised its discretionary authority. Organizations that are excused from filing an information return by reason of normally having gross receipts below $50,000 must furnish to the Secretary an annual notice (Form 990–N), in electronic form, containing certain basic information about the organization. Sec. 6033(i).

[1399] As defined in sec. 132(f).

[1400] As defined in sec. 132(f)(5)(C).

[1401] Sec. 274(a)(4).

[1402] See sec. 512 (a)(6).

viding for the appropriate allocation of costs with respect to facilities used for parking.

EFFECTIVE DATE

The provision applies to amounts paid or incurred after December 31, 2025.

NAME AND LOGO ROYALTIES TREATED AS UNRELATED BUSINESS TAXABLE INCOME (SEC. 112025 OF THE BILL AND SECS. 512 AND 513 OF THE CODE)

Tax exemption for certain organizations

Section 501(a) exempts certain organizations from Federal income tax. Such organizations include: (1) tax-exempt organizations described in section 501(c) (including among others section 501(c)(3) charitable organizations and section 501(c)(4) social welfare organizations); (2) religious and apostolic organizations described in section 501(d); and (3) trusts forming part of a pension, profit-sharing, or stock bonus plan of an employer described in section 401(a).

Unrelated business income tax, in general

The unrelated business income tax ("UBIT") generally applies to income derived from a trade or business regularly carried on by the organization that is not substantially related to the performance of the organization's tax-exempt- functions.[1403] An organization that is subject to UBIT and that has $1,000 or more of gross unrelated business taxable income must report that income on Form 990–T (Exempt Organization Business Income Tax Return).

Most exempt organizations may operate an unrelated trade or business so long as the organization remains primarily engaged in activities that further its exempt purposes. Therefore, an organization may generally engage in a substantial amount of unrelated business activity without jeopardizing exempt status. A section 501(c)(3) (charitable) organization, however, may not operate an unrelated trade or business as a substantial part of its activities.[1404] Therefore, the unrelated trade or business activity of a section 501(c)(3) organization must be insubstantial.

An organization determines its unrelated business taxable income by subtracting from its gross unrelated business income the deductions directly connected with the unrelated trade or business.[1405]

Organizations subject to tax on unrelated business income

Most exempt organizations are subject to UBIT. Specifically, organizations subject to UBIT generally include: (1) organizations exempt from tax under section 501(a), including organizations described in section 501(c) (except for U.S. instrumentalities and certain charitable trusts);[1406] (2) qualified pension, profit-sharing, and

[1403] Secs. 511–514.
[1404] Treas. Reg. sec. 1.501(c)(3)–1(e).
[1405] Sec. 512(a).
[1406] Sec. 511(a)(2)(A).

stock bonus plans described in section 401(a);[1407] and (3) certain State colleges and universities.[1408]

Exclusions from unrelated business taxable income

Certain types of income are specifically excluded from unrelated business taxable income, such as dividends, interest, royalties, and certain rents,[1409] unless derived from debt-financed property or from certain 50-percent controlled subsidiaries.[1410] Certain types of activities are not considered unrelated trade or business activities, such as activities in which substantially all the work is performed by volunteers, which involve the sale of donated goods, or which are carried on for the convenience of members, students, patients, officers, or employees of a charitable organization.[1411] Additional activities exempt from UBIT include certain activities of trade shows and State fairs,[1412] conducting bingo games,[1413] and the distribution of low-cost items incidental to the solicitation of charitable contributions.[1414]

Specific deduction against unrelated business taxable income In computing unrelated business taxable income, an exempt organization may take a specific deduction of $1,000. This specific deduction may not be used to create a net operating loss that will be carried back or forward to another year.[1415]

In the case of a diocese, province of a religious order, or a convention or association of churches, there is also allowed a specific deduction with respect to each parish, individual church, district, or other local unit. The specific deduction is equal to the lower of $1,000 or the gross income derived from any unrelated trade or business regularly carried on by the local unit.[1416]

REASONS FOR CHANGE

The Committee believes that aligning the tax treatment between taxable entities and tax- exempt organizations with respect to income derived from the sale or licensing of a name or logo will make the tax system simpler and fairer for all businesses. The Committee believes that tax-exempt organizations that earn income derived from the sale or licensing of a name or logo go beyond Congress's initial intent when tax-exempt status was created and that such activity is akin to an unrelated trade or business.

EXPLANATION OF PROVISION

The provision modifies the UBIT treatment of the licensing of a tax-exempt organization's name or logo generally to subject royalty income derived from such a license to UBIT. Specifically, the provision provides that any sale or licensing by an organization of any name or logo of the organization (including any trademark or copy-

[1407] Sec. 511(a)(2)(A).
[1408] Sec. 511(a)(2)(B).
[1409] Sec. 512(b).
[1410] Sec. 512(b)(13).
[1411] Sec. 513(a).
[1412] Sec. 513(d).
[1413] Sec. 513(f).
[1414] Sec. 513(h).
[1415] Sec. 512(b)(12).
[1416] *Ibid*.

right related to a name or logo) is treated as an unrelated trade or business that is regularly carried on by the organization.

In addition, the provision provides that income derived from any such sale or licensing of a name or logo of the organization is included in the organization's gross unrelated business taxable income, notwithstanding the provisions of section 512 that otherwise exclude certain types of passive income (including royalties) from unrelated business taxable income.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

EXCLUSION OF RESEARCH INCOME LIMITED TO PUBLICLY AVAILABLE RESEARCH (SEC. 112026 OF THE BILL AND SEC. 512 OF THE CODE)

PRESENT LAW

Tax exemption for certain organizations

Section 501(a) exempts certain organizations from Federal income tax. Such organizations include: (1) tax-exempt organizations described in section 501(c) (including among others section 501(c)(3) charitable organizations and section 501(c)(4) social welfare organizations); (2) religious and apostolic organizations described in section 501(d); and (3) trusts forming part of a pension, profit-sharing, or stock bonus plan of an employer described in section 401(a).

UNRELATED BUSINESS INCOME TAX, IN GENERAL

The unrelated business income tax ("UBIT") generally applies to income derived from a trade or business regularly carried on by the organization that is not substantially related to the performance of the organization's tax-exempt-functions.[1417] An organization that is subject to UBIT and that has $1,000 or more of gross unrelated business taxable income must report that income on Form 990–T (Exempt Organization Business Income Tax Return).

Most exempt organizations may operate an unrelated trade or business so long as the organization remains primarily engaged in activities that further its exempt purposes. Therefore, an organization may generally engage in a substantial amount of unrelated business activity without jeopardizing exempt status. A section 501(c)(3) (charitable) organization, however, may not operate an unrelated trade or business as a substantial part of its activities.[1418] Therefore, the unrelated trade or business activity of a section 501(c)(3) organization must be insubstantial.

An organization determines its unrelated business taxable income by subtracting from its gross unrelated business income the deductions directly connected with the unrelated trade or business.[1419]

[1417] Secs. 511–514.
[1418] Treas. Reg. sec. 1.501(c)(3)–1(e).
[1419] Sec. 512(a).

Organizations subject to tax on unrelated business income

Most exempt organizations are subject to UBIT. Specifically, organizations subject to UBIT generally include: (1) organizations exempt from tax under section 501(a), including organizations described in section 501(c) (except for U.S. instrumentalities and certain charitable trusts);[1420] (2) qualified pension, profit-sharing, and stock bonus plans described in section 401(a);[1421] and (3) certain State colleges and universities.[1422]

Exclusions from unrelated business taxable income

In general

Certain types of income are specifically excluded from unrelated business taxable income, such as dividends, interest, royalties, and certain rents,[1423] unless derived from debt- financed property or from certain 50-percent controlled subsidiaries.[1424] Certain types of activities are not considered unrelated trade or business activities, such as activities in which substantially all the work is performed by volunteers, which involve the sale of donated goods, or which are carried on for the convenience of members, students, patients, officers, or employees of a charitable organization.[1425] Additional activities exempt from UBIT include certain activities of trade shows and State fairs,[1426] conducting bingo games,[1427] and the distribution of low-cost items incidental to the solicitation of charitable contributions.[1428]

Research income

Certain income derived from research activities of exempt organizations is excluded from unrelated business taxable income. For example, income derived from research performed for the United States, a State, and certain agencies and subdivisions is excluded.[1429] Income from research performed by a college, university, or hospital for any person also is excluded.[1430] Finally, if an organization is operated primarily for purposes of carrying on fundamental research the results of which are freely available to the general public, all income derived by research performed by such organization for any person may be excluded, not only income derived from fundamental research available to the general public.[1431]

Specific deduction against unrelated business taxable income

In computing unrelated business taxable income, an exempt organization may take a specific deduction of $1,000. This specific de-

[1420] Sec. 511(a)(2)(A).
[1421] Sec. 511(a)(2)(A).
[1422] Sec. 511(a)(2)(B).
[1423] Sec. 512(b).
[1424] Sec. 512(b)(13).
[1425] Sec. 513(a).
[1426] Sec. 513(d).
[1427] Sec. 513(f).
[1428] Sec. 513(h).
[1429] Sec. 512(b)(7).
[1430] NSec. 512(b)(8).
[1431] Sec. 512(b)(9).

duction may not be used to create a net operating loss that will be carried back or forward to another year.[1432]

In the case of a diocese, province of a religious order, or a convention or association of churches, there is also allowed a specific deduction with respect to each parish, individual church, district, or other local unit. The specific deduction is equal to the lower of $1,000 or the gross income derived from any unrelated trade or business regularly carried on by the local unit.[1433]

REASONS FOR CHANGE

The Committee believes it is desirable to carefully tailor the exclusions from the UBIT rules to better encourage tax-exempt organizations to engage in fundamental research the results of which are made available to the general public. The Committee believes that if an organization is operated primarily for purposes of carrying on fundamental research the results of which are freely available to the public, that only such income derived from research available to the general public should be exempt from UBIT.

EXPLANATION OF PROVISION

The provision modifies the exclusion from unrelated business taxable income for income that is derived from research performed by an organization operated primarily for purposes of carrying on fundamental research the results of which are freely available to the general public. Under the provision, the organization may exclude from unrelated business taxable income only the income that is derived from such fundamental research the results of which are freely available to the general public.

EFFECTIVE DATE

The provision is effective for amounts received or accrued after December 31, 2025.

LIMITATION ON EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS (SEC. 112027 OF THE BILL AND SEC. 461 OF THE CODE)

PRESENT LAW

Limitation on excess business losses of noncorporate taxpayers

In general

An excess business loss of a taxpayer other than a corporation is not allowed for the taxable year.[1434]

An excess business loss not allowed for a taxable year is treated as a net operating loss ("NOL") for the taxable year that is carried

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[1432] Sec. 512(b)(12).

[1433] *Ibid.*

[1434] Sec. 461(1), as modified in 2017 by section 11012 of Public Law 115–97, was applicable to taxable years beginning after December 31, 2017, and before January 1, 2026. Section 2304 of Division A of Public Law 116–136 further modified Code section 461(1) so that it does not apply for a taxable year beginning in 2018, 2019, or 2020. In 2021, section 9041 of Public Law 117–2 extended section 461(1) for one year, effective for taxable years beginning after December 31, 2025, and beginning before January 1, 2027. In 2022, section 13903(b) of Public Law 117–169 extended section 461(1) for two additional years, effective for taxable years beginning after December 31, 2026, and beginning before January 1, 2029.

over to subsequent taxable years under the applicable NOL carryover rules.[1435]

An excess business loss for the taxable year is the excess of aggregate deductions of the taxpayer attributable to trades or businesses of the taxpayer (determined without regard to the limitation of the provision)[1436] over the sum of aggregate gross income or gain attributable to trades or businesses of the taxpayer plus a threshold amount. The threshold amount is indexed for inflation for taxable years beginning after 2018. The threshold amount for a taxable year beginning in 2025 is $313,000 as indexed (or, in the case of a joint return, twice the otherwise applicable threshold amount, or $626,000 for 2025 as indexed).[1437]

The aggregate business deductions taken into account to determine the excess business loss of the taxpayer for the taxable year that are attributable to trades or businesses of the taxpayer are determined without regard to any deduction under section 172 (relating to NOLs) or 199A (relating to the deduction for qualified business income). For example, assume that a taxpayer has an NOL carryover from a prior taxable year to the current taxable year. Such NOL carryover is not part of the taxpayer's aggregate deductions attributable to the trade or business for the current taxable year under section 461(1).

An excess business loss under section 461(1) does not take into account any deductions, gross income, or gains attributable to any trade or business of performing services as an employee.[1438] For this purpose, the trade or business of performing services as an employee has the same meaning as it does under section 62(a)(1). For example, assume married taxpayers filing jointly for the taxable year have a loss from a trade or business conducted by one spouse as a sole proprietorship, as well as wage income of the other spouse from employment. The wage income is not taken into account in determining the amount of the deduction limited under section 461(1).

In the case of a partnership or S corporation, the provision applies at the partner or shareholder level. Each partner's distributive share and each S corporation shareholder's pro rata share of items of income, gain, deduction, or loss of a partnership or S corporation are taken into account in applying the limitation under the provision for the taxable year of the partner or S corporation

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[1435] See generally sec. 172. The amount of the taxpayer's NOL (including any excess business loss that is not allowed for the taxable year) carried to a subsequent taxable year is limited to 80 percent of the taxable income (determined without regard to the NOL deduction and deductions under sections 199A and 250) for that subsequent taxable year. Sec. 172(a)(2). For a discussion of the changes made in 2017 to section 172, see the description of section 13302 of Public Law 115–97 (Modification of Net Operating Loss Deduction) in Joint Committee on Taxation, General Explanation of Public Law 115–97 (JCS–1-18), December 2018, page 180. Changes made by section 2303 of the Division A of Public Law 116–136 to rules governing NOLs (section 172) are described in Joint Committee on Taxation, General Explanation of the Tax Legislation Enacted in the 116th Congress (JCS–1-22), February 2022, page 325.

[1436] Aggregate deductions (for purposes of section 461(1)) do not include the amount of any NOL carryback or carryover under section 172 that is attributable to such trades or businesses from a different taxable year.

[1437] Sec. 2.32 of Rev. Proc. 2024–40, 2024–45 I.R.B., November 4, 2024.

[1438] See also the IRS explanation of "Excess business losses" at https://www.irs.gov/newsroom/excess-business-losses, which conforms to this rule. The rule was clarified in Pub. L. No. 116–136, Div. A, sec. 2304(b), effective as if included in section 11012 of Public Law 115–97 (that is, starting with the taxable year beginning after December 31, 2017; Pub. L. No 116–136, Div. A, sec. 2304, however, later provided that section 461(1) does not apply for a taxable year beginning in 2018, 2019, or 2020).

shareholder. Regulatory authority is provided to require any additional reporting as the Secretary determines is appropriate to carry out the purposes of the provision (including with respect to any other passthrough entity to the extent necessary to carry out the purposes of the provision).

Section 461(1) applies after the application of certain other limitations on losses, namely, the passive activity loss limitation,[1439] the at-risk limitation,[1440] and in the case of a taxpayer who is a partner or S corporation shareholder, the rules limiting the taxpayer's distributive or pro rata share of loss for the taxable year to the taxpayer's adjusted basis in the partnership interest or in the S corporation stock and debt.[1441] Thus, for example, the amount of any income, deduction, gain, or loss from a passive activity that is taken into account under the passive activity loss limitation is not taken into account in determining whether a taxpayer has an excess business loss.

Treatment of capital losses

In the case of a taxpayer other than a corporation, section 1211(b) limits the deduction for losses from sales or exchanges of capital assets to gains from such sales or exchanges plus up to $3,000. Section 172(d)(2)(A), relating to NOLs, provides a similar limitation but without regard to the $3,000 additional amount. Because capital losses cannot offset ordinary income under the NOL rules, any capital loss deductions are not taken into account in computing the section 461(1) limitation. Further, the amount of capital gain taken into account in calculating the section 461(1) limitation cannot exceed the lesser of capital gain net income from a trade or business or capital gain net income.

Excess farm losses

A limitation on excess farm losses applies to taxpayers other than C corporations.[1442] For taxable years beginning after December 31, 2017, and before January 1, 2026, the limitation relating to excess farm losses does not apply.[1443]

Under the limitation relating to excess farm losses, if a taxpayer other than a C corporation receives an applicable subsidy[1444] for the taxable year, the amount of the excess farm loss is not allowed for the taxable year and is carried forward and treated as a deduc-

[1439] Sec. 469.
[1440] Sec. 465.
[1441] Sec. 704(d) (for partners) and sec. 1366(d) (for S corporation shareholders). See sec. 461(1)(6) (applying section 461(1) after section 469), and Treas. Reg. sec. 1.469–2T(d)(6) (applying section 469 after sections 704(d), 1366(d), and 465). Note that other rules could potentially limit a taxpayer's loss (e.g., section 267). A discussion of all potential loss limitation rules is beyond the scope of the description of this provision.
[1442] Sec. 461(j).
[1443] In 2021, section 9041 of Public Law 117–2 extended the period in which section 461(j) does not apply for one year, effective for taxable years beginning after December 31, 2017, and beginning before January 1, 2027. In 2022, section 13903(b) of Public Law 117–169 extended the period in which section 461(j) does not apply for two additional years, effective for taxable years beginning after December 31, 2020, and beginning before January 1, 2029.
[1444] For this purpose, an applicable subsidy means (A) any direct or counter-cyclical payment under title I of the Food, Conservation, and Energy Act of 2008, or any payment elected to be received in lieu of such payment, or (B) any Commodity Credit Corporation loan. Sec. 461(j)(3). Note that the Agricultural Act of 2014 repealed direct and counter-cyclical payments under the Food, Conservation, and Energy Act of 2008. See secs. 1101 and 1102 of Pub. L. No. 113–79, February 7, 2014. Thus, only Commodity Credit Corporation loans currently fall within the definition of an applicable subsidy for purposes of section 461(j).

tion attributable to farming businesses in the next taxable year. An excess farm loss for a taxable year means the excess of aggregate deductions that are attributable to farming businesses over the sum of aggregate gross income or gain attributable to farming businesses plus the threshold amount. The threshold amount is the greater of (1) $300,000 ($150,000 for married individuals filing separately), or (2) for the five-consecutive-year period preceding the taxable year, the excess of the aggregate gross income or gain attributable to the taxpayer's farming businesses over the aggregate deductions attributable to the taxpayer's farming businesses.

REASONS FOR CHANGE

The Committee believes the excess business loss limitation improves the functionality of the income tax rules and should be made permanent along with other provisions of the Tax Cuts and Jobs Act. The Committee believes that the excess business loss limitation could be improved by limiting taxpayers' ability to deduct excess business losses against non-business income, not only for the taxable year in which such losses arise, but for subsequent taxable years as well. The prior-law limitation on excess farm losses has no continuing utility and the Committee has concluded that it should be terminated.

EXPLANATION OF PROVISION

Permanency

The provision makes permanent the limitation on excess business loss of a taxpayer other than a corporation (section 461(1)). Specifically, the section 461(1) limitation applies for taxable years beginning after December 31, 2020. The provision also provides that the limitation on excess farm losses (section 461(j)) does not apply for taxable years beginning after December 31, 2017.

MODIFICATION OF LIMITATION

Additionally, the provision modifies the section 461(1) limitation. A loss disallowed under the section 461(1)(1) limitation for a taxable year beginning after December 31, 2024 is carried forward to the subsequent taxable year as a loss attributable to a trade or business (other than a trade or business of performing services as an employee) arising in the subsequent taxable year. The amount carried forward is therefore included in calculating the subsequent taxable year's section 461(1)(1) limitation.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

1-PERCENT FLOOR ON DEDUCTION OF CHARITABLE CONTRIBUTIONS MADE BY CORPORATIONS (SEC. 112028 OF THE BILL AND SEC. 170 OF THE CODE)

PRESENT LAW

In general

Section 170(a) allows for a deduction for any charitable contribution payment made within the taxable year. Total deductions for charitable contributions by corporate taxpayers for any taxable year are generally limited to 10 percent of the taxpayer's taxable income.[1445] For purposes of the charitable deduction, a corporate taxpayer's taxable income is computed without regard to any deduction for charitable contributions under section 170, the dividends received deduction, the deductions allowable to corporations under Subtitle A, Chapter 1, Subchapter B, Part VIII (except section 248), any net operating loss carryback to the taxable year under section 172, and capital loss carryback to the taxable year under section 1212(a)(1), and section 199A(g). Charitable contributions over the percentage limitation in any taxable year can be carried forward to the next five taxable years.[1446] The amount of charitable contributions carried forward are reduced to the extent that the contributions in excess of the percentage limitation reduces taxable income (as computed for purposes of the second sentence of section 172(b)(2)) and increases a net operating loss carryover under section 172 to a succeeding taxable year.

Qualified conservation contributions by certain corporate farmers and ranchers

A qualified conservation contribution is a type of partial-interest contribution that is deductible.[1447] A qualified conservation contribution is a contribution of a qualified real property interest to a qualified organization exclusively for conservation purposes.[1448] A qualified real property interest is defined as: (1) the entire interest of the donor other than a qualified mineral interest; (2) a remainder interest; or (3) a restriction (granted in perpetuity) on the use that may be made of the real property (generally, a conservation easement).[1449] Qualified organizations include certain governmental units, public charities that meet certain public support tests, and certain supporting organizations.[1450] Conservation purposes include: (1) the preservation of land areas for outdoor recreation by, or for the education of, the general public; (2) the protection of a relatively natural habitat of fish, wildlife, or plants, or similar ecosystem; (3) the preservation of open space (including farmland and forest land) where such preservation will yield a significant public benefit and is either for the scenic enjoyment of the general public or pursuant to a clearly delineated Federal, State, or local governmental conservation policy; and (4) the preservation

[1445] Sec. 170(b)(2)(A).
[1446] Sec. 170(d)(2)(A).
[1447] Secs. 170(f)(3)(B)(iii) and 170(h).
[1448] Sec. 170(h)(1).
[1449] Sec. 170(h)(2).
[1450] Sec. 170(h)(3).

of an historically important land area or a certified historic structure.[1451]

In the case of a corporation (other than a publicly traded corporation) that is a qualified farmer or rancher for the taxable year in which the contribution is made, any qualified conservation contribution is allowable up to 100 percent of the excess of the corporation's taxable income (as computed under section 170(b)(2)) over the amount of all other allowable charitable contributions.[1452] Any excess may be carried forward for up to 15 years as a contribution subject to the 100 percent limitation.[1453] The qualified conservation contribution must be a contribution of property that is used in agriculture or livestock production and is subject to a restriction that such property remain available for such production.[1454] A qualified farmer or rancher means a taxpayer whose gross income from the trade or business of farming (within the meaning of section 2032A(e)(5)) is greater than 50 percent of the taxpayer's gross income for the taxable year.[1455]

Qualified conservation contributions by certain native corporations

In the case of a Native Corporation, any qualified conservation contribution which is a contribution of land conveyed under the Alaska Native Claims Settlement Act is allowable up to 100 percent of the excess of the Native Corporation's taxable income (as computed under section 170(b)(2)) over the amount of all other allowable charitable contributions.[1456] Any excess may be carried forward for up to 15 years as a contribution subject to the 100 percent limitation.[1457] A Native Corporation has the meaning given the term by section 3(m) of the Alaska Native Claims Settlement Act.[1458]

REASONS FOR CHANGE

The Committee believes that it is important to provide a tax benefit to promote charitable giving. The Committee believes that setting a floor on deductions for corporate charitable contributions will limit the tax benefit afforded to inframarginal contributions (i.e., contributions that would be made regardless of any associated tax benefit), and target tax benefits at marginal contributions (i.e., contributions that might not occur if not for an associated tax benefit).

EXPLANATION OF PROVISION

The provision allows a deduction for a corporate charitable deduction only to the extent that the aggregate of corporate charitable contributions exceeds one percent of a taxpayer's taxable income (the "one-percent floor") and does not exceed 10 percent of the taxpayer's taxable income (the "10-percent limit").

Contributions in excess of the 10-percent limit may be carried forward to the subsequent five taxable years and are treated as al-

[1451] Sec. 170(h)(4).
[1452] Sec. 170(b)(2)(B)(i).
[1453] Sec. 170(b)(2)(B)(ii).
[1454] Sec. 170(b)(2)(B)(i).
[1455] Sec. 170(b)(1)(E)(v).
[1456] Sec. 170(b)(2)(C)(i).
[1457] Sec. 170(b)(2)(C)(ii).
[1458] Sec. 170(b)(2)(C)(iii).

lowed on a first-in, first-out basis. The amount of charitable contributions disallowed under the one-percent floor may be carried forward only from years in which the taxpayer's charitable contributions exceed the 10-percent limit. Any carryforward is applied after contributions made in the current taxable year for the purposes of the one-percent floor and 10-percent limit. The amount of charitable contributions carried forward is reduced to the extent that the carryforward otherwise would reduce taxable income (as computed for purposes of the second sentence of section 172(b)(2)) and increase a net operating loss carryover under section 172 to a succeeding taxable year.

The provision does not modify the treatment of qualified conservation contributions by certain corporate farmers and ranchers or Native Corporations, including the percentage limitations with respect to such qualified conservation contributions.

EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2025.

ENFORCEMENT OF REMEDIES AGAINST UNFAIR FOREIGN TAXES (SEC. 112029 OF THE BILL AND NEW SEC. 899 OF THE CODE)

PRESENT LAW

U.S. tax rules applicable to foreign activities of U.S. persons

In general, income earned directly by a U.S. person from the conduct of a foreign trade or business is taxed currently,[1459] while income earned indirectly through certain related foreign entities (*e.g.*, controlled foreign corporations ("CFCs"))[1460] is taxed in the year earned or not at all.[1461] Earnings and profits of CFCs are generally taxable in one of two ways. First, the earnings may constitute income to U.S. shareholders under the traditional anti-deferral regime of subpart F, which applies to certain passive income and income that is readily movable from one jurisdiction to another.[1462] Subpart F was designed as an anti-abuse regime to prevent U.S. taxpayers from shifting passive and mobile income to low-tax jurisdictions.[1463] Second, the earnings may be subject to section 951A, which applies to some foreign-source income of a CFC that is not subpart F income. Such income is referred to as global intangible low-taxed income ("GILTI"). GILTI was enacted as a base protec-

[1459] Such income is called foreign branch income.

[1460] A CFC generally is defined as any foreign corporation in which U.S. persons own (directly, indirectly, or constructively) more than 50 percent of the corporation's stock (measured by vote or value), taking into account only "U.S. shareholders," that is, U.S. persons who own at least 10 percent of the stock (measured by vote or value). See secs. 951(b), 957, and 958. Special rules apply with respect to U.S. persons that are shareholders (regardless of their percentage ownership) in any foreign corporation that is not a CFC but is a passive foreign investment company ("PFIC"). See secs. 1291 through 1298. The PFIC rules generally seek to prevent the deferral of passive income through the use of foreign corporations.

[1461] For a more detailed discussion of the rules, see Joint Committee on Taxation, *Background and Analysis of the Taxation of Income Earned by Multinational Enterprises* (JCX–35R–23), July 17, 2023, Part I.B. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[1462] Subpart F comprises sections 951 through 965.

[1463] See Joint Committee on Taxation, Tax Effects of Conducting Foreign Business through Foreign Corporations (JCT–5-61), July 21, 1961, Part V. This document can be found on the Joint Committee on Taxation website at www.jct.gov. See also Rev. Act. of 1962, Pub. L. No. 87–834.

tion measure to counter the participation exemption system, established by the dividends-received-deduction, under which the income could potentially be distributed back to the U.S. corporation with no U.S. tax imposed.[1464] Subpart F inclusions are taxed at full rates with related foreign taxes generally eligible for the foreign tax credit; GILTI inclusions are taxed at reduced rates with additional limitations on the use of related foreign tax credits. Both subpart F and GILTI are generally included in income by the U.S. shareholder without regard to whether the earnings are distributed by the CFC.

U.S. tax rules applicable to foreign persons

Nonresident aliens and foreign corporations generally are subject to U.S. tax only on their U.S.-source income. There are two broad types of taxation of U.S.-source income of foreign taxpayers: (1) gross-basis tax on income that is "fixed or determinable annual or periodical gains, profits, and income" ("FDAP income"); and (2) net-basis tax on income that is "effectively connected with the conduct of a trade or business within the United States" ("ECI"). FDAP income, although nominally subject to a statutory 30-percent gross-basis tax withheld at its source, in many cases is subject to a reduced rate of, or entirely exempt from, U.S. tax under the Code or a bilateral income tax treaty. ECI generally is subject to the same U.S. tax rules and rates that apply to business income earned by U.S. persons.

Gross-basis taxation of U.S.-source income

FDAP income received by foreign persons from U.S. sources is subject to a 30-percent gross-basis tax (*i.e.*, a tax on gross income without reduction for related expenses), which is collected by withholding at the source of the payment. FDAP income includes interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, and emoluments.[1465] The items enumerated in defining FDAP income are illustrative, and the words "annual or periodical" are "merely generally descriptive" of the payments within the purview of the statute.[1466] Capital gains of nonresident aliens generally are foreign source; however, capital gains of nonresident aliens present in the United States for 183 days or more [1467] during the year are income from U.S. sources subject to gross-basis taxation.[1468] In addition, U.S.-source gains from the sale or exchange of intangibles are subject to tax and withholding if they are contingent on the productivity, use, or disposition of the property sold.[1469] The categories of income subject to the 30-percent tax and the categories for which withholding is required generally are coextensive.[1470]

[1464] See Reconciliation Recommendations Pursuant to H. Con. Res. 71 (December 2017).
[1465] Secs. 871(a) and 881. FDAP income that is ECI is taxed as ECI.
[1466] *Commissioner* v. *Wodehouse*, 337 U.S. 369, 393 (1949).
[1467] For purposes of this rule, whether a person is considered a resident in the United States is determined by application of the rules under section 7701(b).
[1468] Sec. 871(a)(2). In addition, certain capital gains from sales of U.S. real property interests are subject to tax as ECI under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). See sec. 897(a)(1).
[1469] Secs. 871(a)(1)(D) and 881(a)(4).
[1470] See secs. 1441 and 1442.

Exclusions from FDAP income

FDAP income encompasses a broad range of gross income but has important exceptions.

Interest on bank deposits may qualify for exemption from treatment as FDAP income on two grounds. First, interest on deposits with domestic banks and savings and loan associations, and certain amounts held by insurance companies, is U.S.-source income but is exempt from the 30-percent tax when paid to a foreign person.[1471] Second, interest on deposits with foreign branches of domestic banks and domestic savings and loan associations is not U.S.-source income and, thus, is not subject to U.S. tax.[1472] Interest and original issue discount on certain short-term obligations also is exempt from U.S. tax when paid to a foreign person.[1473] In addition, an exception to information reporting requirements may apply with respect to payments of such exempt amounts.[1474]

Although FDAP income includes U.S.-source portfolio interest, such interest is specifically exempt from the 30-percent gross-basis tax. Portfolio interest is any interest (including original issue discount) that is paid on an obligation that is in registered form and for which the beneficial owner has provided to the U.S. withholding agent a statement certifying that the beneficial owner is not a U.S. person.[1475] Portfolio interest, however, does not include interest received by a 10-percent shareholder,[1476] certain contingent interest,[1477] interest received by a CFC from a related person,[1478] or interest received by a bank on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business.[1479]

Withholding of 30-percent gross-basis tax

The 30-percent tax on FDAP income is generally collected by means of withholding.[1480] Withholding on FDAP payments to foreign payees is required unless the withholding agent (i.e., the person making the payment to the foreign person) can establish that the beneficial The exemption does not apply to interest payments made to a foreign lender that owns 10 percent or more of the voting power (but not value) of the stock of the borrower owner of the amount is eligible for an exemption from withholding or a reduced rate of withholding under an income tax treaty.[1481]

[1471] Secs. 871(i)(2)(A) and 881(d); Treas. Reg. sec. 1.1441–1(b)(4)(ii).
[1472] Sec. 861(a)(1); Treas. Reg. sec. 1.1441–1(b)(4)(iii).
[1473] Secs. 871(g)(1)(B) and 881(a)(3); Treas. Reg. sec. 1.1441–1(b)(4)(iv).
[1474] Treas. Reg. sec. 1.1461–1(c)(2)(ii)(A) and (B). A bank must report interest if the recipient is a nonresident alien who resides in a country with which the United States has a satisfactory exchange of information program under a bilateral agreement and the deposit is maintained at an office in the United States. Treas. Reg. secs. 1.6049–4(b)(5) and 1.6049–8. The IRS publishes lists of the countries whose residents are subject to the reporting requirements, and those countries with respect to which the reported information is automatically exchanged. See Rev. Proc. 2024–42, 2024–52 I.R.B. 1433.
[1475] Sec. 871(h)(2).
[1476] Sec. 871(h)(3).
[1477] Sec. 871(h)(4).
[1478] Sec. 881(c)(3)(C).
[1479] Sec. 881(c)(3)(A).
[1480] Secs. 1441 and 1442.
[1481] A withholding agent includes any U.S. or foreign person that has the control, receipt, custody, disposal, or payment of an item of income of a foreign person subject to withholding. Treas. Reg. sec. 1.1441–7(a). See also Treas. Reg. sec. 1.1441–6 (providing, in part, the requirements

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Often, the income subject to withholding is the only income of the foreign person subject to any U.S. tax. If the foreign person has no ECI and the withholding is sufficient to satisfy the tax liability with respect to FDAP income, the foreign person generally is not required to file a U.S. Federal income tax return. Accordingly, the withholding of the 30-percent gross-basis tax generally represents the collection of the foreign person's final U.S. tax liability.

To the extent that a withholding agent withholds an amount, the withheld tax is credited to the foreign recipient of the income.[1482] If the agent withholds more than is required, and that results in an overpayment of tax, the foreign recipient may file a claim for refund.

Net-basis taxation of income from conduct of a trade or business within the United States

Income that is effectively connected with the conduct of a trade or business within the United States (*i.e.*, ECI) generally is subject to tax on a net basis under the same U.S. tax rules and rates that apply to business income earned by U.S. persons.[1483]

U.S. trade or business

A foreign person is subject to U.S. tax on a net basis if the person is engaged in a U.S. trade or business. Partners in a partnership and beneficiaries of an estate or trust are treated as engaged in a U.S. trade or business if the partnership, estate, or trust is so engaged.[1484]

Whether a foreign person is engaged in a U.S. trade or business is a factual question that has generated a significant amount of case law. Basic issues include whether the activity rises to the level of a trade or business, whether a trade or business has sufficient connections to the United States, and whether the relationship between the foreign person and persons performing activities in the United States for the foreign person is sufficient to attribute those activities to the foreign person.

For eligible foreign persons, U.S. bilateral income tax treaties restrict the application of net-basis U.S. taxation. Under each treaty, the United States is permitted to tax business profits only to the extent those profits are attributable to a U.S. permanent establishment of the foreign person. The threshold level of activities that constitute a permanent establishment is generally higher than the threshold level of activities that constitute a U.S. trade or business. For example, a permanent establishment typically requires the maintenance of a fixed place of business over a significant period of time.

Effectively connected income

A foreign person that is engaged in the conduct of a trade or business within the United States is subject to U.S. net-basis tax-

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(including documentary evidence) that must be satisfied for purposes of claiming the benefits of an exemption from, or reduced rate of, withholding under a treaty).

[1482] Sec. 1462.

[1483] Secs. 871(b) and 882.

[1484] Sec. 875.

ation on ECI from that trade or business. Specific statutory rules govern whether income is ECI.[1485]

In general, for a foreign person engaged in the conduct of a U.S. trade or business, all income, gain, or loss from sources within the United States is treated as ECI.[1486]

In the case of U.S.-source capital gain and U.S.-source income of a type that would be subject to gross-basis U.S. taxation, the factors taken into account in determining whether the income is ECI include whether the income is derived from assets used in or held for use in the conduct of the U.S. trade or business, and whether the activities of the U.S. trade or business were a material factor in the realization of the amount (the "asset use" and "business activities" tests).[1487] Under the asset use and business activities tests, due regard is given to whether such asset or such income, gain, deduction, or loss was accounted for through the trade or business.

A foreign person that is engaged in a U.S. trade or business may have limited categories of foreign-source income that are considered to be ECI.[1488] A foreign tax credit may be allowed with respect to foreign income tax imposed on such income.[1489] Foreign-source income not included in one of those categories generally is exempt from U.S. tax.

Allowance of deductions

Taxable ECI is computed by taking into account deductions associated with gross ECI. Regulations address the allocation and apportionment of deductions between ECI and other income. Certain deductions may be allocated and apportioned on the basis of units sold, gross sales or receipts, costs of goods sold, profits contributed, expenses incurred, assets used, salaries paid, space used, time spent, or gross income received. Specific rules provide for the allocation and apportionment of research and experimental expenditures, legal and accounting fees, income taxes, losses on dispositions of property, and net operating losses. In general, interest is allocated and apportioned based on assets rather than income.

Sales of partnership interests

Gain or loss from the sale or exchange of a partnership interest is treated as effectively connected with a U.S. trade or business to

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[1485] Sec. 864(c).
[1486] Sec. 864(c)(3).
[1487] Sec. 864(c)(2).
[1488] A foreign person's income from foreign sources generally is considered to be ECI only if the person has an office or other fixed place of business within the United States to which the income is attributable and the income is in one of the following categories: (1) rents or royalties for the use of patents, copyrights, secret processes or formulas, goodwill, trademarks, trade brands, franchises, or other like intangible properties derived in the active conduct of the trade or business; (2) interest or dividends derived in the active conduct of a banking, financing, or similar business within the United States or received by a corporation the principal business of which is trading in stocks or securities for its own account; or (3) income derived from the sale or exchange (outside the United States), through the U.S. office or fixed place of business, of inventory or property held by the foreign person primarily for sale to customers in the ordinary course of the trade or business, unless the sale or exchange is for use, consumption, or disposition outside the United States and an office or other fixed place of business of the foreign person in a foreign country participated materially in the sale or exchange. Foreign-source dividends, interest, and royalties are not treated as ECI if the items are paid by a foreign corporation more than 50 percent (by vote) of which is owned directly, indirectly, or constructively by the recipient of the income. Sec. 864(c)(4)(B) and (D)(i).
[1489] See sec. 906.

the extent that the transferor would have had effectively connected gain or loss had the partnership sold all of its assets at fair market value as of the date of the sale or exchange.[1490] Any gain or loss from such hypothetical asset sale by the partnership must be allocated to interests in the partnership in the same manner as nonseparately stated income and loss.

The transferee of a partnership interest must withhold 10 percent of the amount realized on the sale or exchange of a partnership interest unless the transferor certifies that the sale qualifies for an exception from withholding (e.g., that the transferor is not a nonresident alien individual or foreign corporation or that there is no realized gain from the sale).[1491] If the transferee fails to withhold the correct amount, the partnership is required to deduct and withhold from distributions to the transferee partner an amount equal to the amount the transferee failed to withhold.[1492]

Foreign Investment in Real Property Act ("FIRPTA")

A foreign person's gain or loss from the disposition of a U.S. real property interest ("USRPI") is treated as ECI.[1493] Thus, a foreign person subject to tax on such a disposition is required to file a U.S. tax return. In the case of a foreign corporation, the gain from the disposition of a USRPI may also be subject to the branch profits tax at a 30-percent rate (or lower treaty rate). Certain sales of USRPI are exempt from this tax. For example, qualified foreign pension funds are not treated as nonresident alien individuals or foreign corporations subject to tax under FIRPTA,[1494] foreign governments are exempt from FIRPTA tax on gain from certain sales of stock of U.S. real property holding corporations,[1495] and equity interests in "domestically controlled" REITs are not USRPIs.[1496]

The payor of income that FIRPTA treats as ECI is generally required to withhold U.S. tax from the payment.[1497] The foreign person can request a refund with its U.S. tax return, if appropriate, based on that person's overall tax liability for the taxable year.

Base erosion and anti-abuse tax

The BEAT is an additional tax imposed on certain multinational corporations with respect to payments to foreign affiliates, intended as a special measure to address potential tax avoidance.[1498]

OECD global agreement and Pillar Two

At the direction of the G–20, the Organization of Economic Cooperation and Development ("OECD") has coordinated international efforts to agree on a new means of allocating certain income of multinational enterprises ("Pillar One") and to coordinate the implementation of a global minimum tax ("Pillar Two").

[1490] Sec. 864(c)(8)(B).
[1491] Sec. 1446(f)(1).
[1492] Sec. 1446(f)(4); Treas. Reg. sec. 1.1446(f)–2(b).
[1493] Sec. 897(a).
[1494] Sec. 897(l)(1).
[1495] Treas. Reg. sec. 1.892–3T(a).
[1496] Sec. 897(h)(2).
[1497] Sec. 1445 and regulations thereunder.
[1498] Sec. 59A. For a description of the BEAT, see *supra* the description of present law for section 111005, Extension of base erosion minimum tax amount.

Pillar Two provides for a minimum global level of income taxation for multinational enterprises ("MNEs") based on a certain set of rules, including rules for calculating income subject to the minimum tax, calculating the effective tax rate imposed on such income before applying Pillar Two, determining priority of jurisdictions to collect the minimum tax, and establishing reporting requirements.

In December 2021, the OECD published "Global Anti-Base Erosion Model Rules (Pillar Two)," which provides for a system of taxation based on financial accounts applying a minimum rate of 15 percent on a jurisdictional ("country-by-country") basis (the "Model Rules").[1499] In March 2022, the OECD published general commentary (and related examples) on the Model Rules,[1500] and in December 2022, the OECD published guidance on a transitional safe harbor, a framework for a permanent safe harbor, and transitional penalty relief.[1501] In 2023 through 2025, the OECD published several sets of administrative guidance on the Model Rules to address certain specific questions in need of clarification and simplification. A number of jurisdictions have agreed in principle to adopt Pillar Two, and many have already enacted legislation or proposed legislation to adopt (or partially adopt) the Model Rules.

The Model Rules apply to MNE groups (and their constituent entities) that have annual revenue of ε750 million or more in the consolidated financial statements of the ultimate parent entity in at least two of the four fiscal years immediately preceding the tested fiscal year.[1502]

Application of the top-up tax

Top-up tax is due with respect to income in a jurisdiction if book income, subject to certain adjustments ("Globe income") in the jurisdiction is subject to an effective tax rate ("ETR") of less than 15 percent. The additional top-up tax may be collected first by the source country pursuant to a qualified domestic minimum top-up tax ("QDMTT"), second by the residence country of the MNE's ultimate parent entity pursuant to the income inclusion rule ("IIR"), third by the residence country of a lower-tier parent entity (also pursuant to the IIR), and finally by the residence country of any

[1499] OECD, "Tax Challenges Arising from the Digitalisation of the Economy—Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS," 2022, available at https://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two.htm.

[1500] OECD, "Tax Challenges Arising from the Digitalisation of the Economy—Commentary to the Global Anti-Base Erosion Model Rules (Pillar Two), First Edition: Inclusive Framework on BEPS," 2022, available at https://web-archive.oecd.org/2022-03-14/626821-tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two-commentary.pdf. For the related examples, see OECD, "Tax Challenges Arising from the Digitalisation of the Economy—Global Anti-Base Erosion Model Rules (Pillar Two) Examples," 2022, available at https://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the- economy-global-anti-base-erosion-model-rules-pillar-two-examples.pdf.

[1501] OECD, "Safe Harbours and Penalty Relief: Global Anti-Base Erosion Rules (Pillar Two), OECD/G20 Inclusive Framework on BEPS," 2022, available at https://www.oecd.org/tax/beps/safe-harbours-and-penalty-relief-global-anti-base-erosion-rules-pillar-two.pdf.

[1502] Art. 1.1.1 of the Model Rules. An MNE group (or here just MNE) means a collection of entities that are related through ownership or control such that the assets, liabilities, income, expenses, and cash flows of those entities are included in the consolidated financial statements of the ultimate parent entity with at least one entity (or permanent establishment) that is not located in the jurisdiction of the ultimate parent entity. Art. 1.1.1 and Art. 1.2.2 of the Model Rules. The ultimate parent entity generally is one that owns (directly or indirectly) a controlling interest in any other entity and in which no other entity owns a controlling interest. Art. 1.4.1 of the Model Rules.

other affiliated entity pursuant to the so-called undertaxed profits rule ("UTPR").

Globe income and the base of the top-up tax

Globe income (or loss) in a country generally is the net income (or loss) determined for an entity in preparing consolidated financial statements of the ultimate parent entity.[1503] If Globe income in a country is subject to an ETR of less than 15 percent, then the Globe income is subject to a top-up tax.

The ETR for a jurisdiction is equal to the sum of the "adjusted covered taxes" paid in that jurisdiction divided by the net Globe income in that jurisdiction.[1504] Adjusted covered taxes are the current tax expenses that have accrued for purposes of calculating that year's financial accounting net income, adjusted for taxes on certain temporary differences between tax and financial reporting.[1505]

The base of the top-up tax ("excess profit") generally is Globe income[1506] less the substance-based income exclusion for the country.[1507] The substance-based income exclusion is five percent of (1) eligible payroll costs in the country and (2) the carrying value of eligible tangible assets in the country.[1508]

QDMTT

The primary right to tax income (including Globe income) arising in a jurisdiction is with the jurisdiction (the source country) itself. Thus, if in country X an MNE earns Globe income that is subject to an ETR of less than 15 percent, country X has priority in applying a top-up tax. The mechanism for applying that top-up tax (*i.e.*, a top-up tax on domestic income) is the QDMTT.

A natural question arises: why would country X choose to apply a new tax (the QDMTT) instead of simply changing its local corporate tax, whether by increasing the rate (to 15 percent) or expanding the base (to resemble Globe income more closely)? The answer is that the tax base for purposes of determining an MNE's ETR is generally greater than the tax base for purposes of determining the top-up tax. A 15-percent corporate tax that followed the Model Rules in determining its tax base would tend to collect more corporate tax than required under the top-up tax.[1509] In other words, the QDMTT represents the only way under Pillar Two for a country to collect in every case the minimum tax liability due with respect to Globe income arising in its jurisdiction while increasing its effective tax rate by as little as possible.

As described below, if a source country does not impose a QDMTT, the Model Rules allow other countries to collect any top-

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[1503] Art. 3.1.2 of the Model Rules. Several adjustments are made. Art 3.2.1 of the Model Rules.
[1504] Art. 5.1.1 of the Model Rules.
[1505] Art. 4.1 of the Model Rules.
[1506] "Globe" income is an acronym for Global Anti-Base Erosion income (officially, "GloBE" income).
[1507] Art. 5.2.3 of the Model Rules.
[1508] Art. 5.3 of the Model Rules. Initially, the substance-based income exclusion is set to be 10 percent for eligible payroll costs and eight percent for the carrying value of eligible tangible assets, both phased down to five percent over a 10-year transition period.
[1509] A 15-percent corporate tax imposed on only the base of the top-up tax would be treated in most cases as having an ETR of less than 15 percent.

up tax due with respect to Globe income earned in the source country.

IIR

The secondary right to collect a top-up tax with respect to Globe income earned in a source country is with the jurisdiction of the MNE's ultimate parent entity.[1510] This top-up tax is known as the IIR. The mechanism is like other tax regimes ("CFC taxes") that require a parent entity to pay current tax on the income of CFCs, including Subpart F income and GILTI under U.S. law. In terms of ordering, QDMTTs come before CFC taxes, and CFC taxes come before IIRs (which all come before the UTPR, as discussed below).

If the jurisdiction of the ultimate parent entity does not impose an IIR, the jurisdiction of an intermediate parent entity (*i.e.*, between the ultimate parent entity and the source country) is allowed to collect under their own IIRs any top-up tax due with respect to Globe income earned in the source country.[1511]

UTPR

The final mechanism providing for the collection of top-up tax is the UTPR. If the source country does not impose a QDMTT and no parent entity is in a jurisdiction imposing an IIR, but a top-up tax is due, then countries in which other MNE affiliates are located may collect the top-up tax under a UTPR. Those countries share the top-up tax according to the number of employees in each UTPR jurisdiction and the value of tangible assets in each UTPR jurisdiction.[1512]

ETR

The ETR on Globe income in a source country may depend on the treatment of certain incentives provided by the country. Grants are treated as additions to Globe income, whereas tax credits are treated as reductions to taxes paid for purposes of calculating the ETR. Certain refundable tax credits (*i.e.*, "qualified refundable tax credits" or "QRTCs"), however, are treated as grants and, therefore, increase Globe income rather than reduce taxes paid.[1513]

For example, consider an MNE in country X with Globe income of 100x, taxes of 20x, and tax credits of 6x. Before accounting for credits, the MNE has an ETR of 20 percent (20x/100x). Whether the MNE is subject to top-up tax depends on the treatment of the credits. If the tax credits are QRTCs, then the ETR is 18.9 percent (20x/106x), well above 15 percent. If the tax credits are not QRTCs, however, then the ETR is 14 percent (14x/100x) and the MNE is subject to top-up tax.

[1510] Art. 2.1.1 to 2.1.3 of the Model Rules.

[1511] The IIR has ordering rules to ensure that Globe income in a country is subject to top-up tax exactly once.

[1512] The formula is: UTPR percentage = (50 percent of number of employees in a UTPR jurisdiction/number of employees in all UTPR jurisdictions) + (50 percent of net book value of tangible assets in a UTPR jurisdiction / net book value of tangible assets in all UTPR jurisdictions). Thus, the allocation of UTPR liability is half by number of employees and half by net book value of tangible assets.

[1513] Art. 4.1.2(d) of the Model Rules. The Model Rules generally define QRTC as "a refundable tax credit designed in a way such that it must be paid as cash or available as cash equivalents within four years from when . . . [the MNE] satisfies the conditions for receiving the credit under the laws of the jurisdiction granting the credit."

Digital services taxes

Overview

Digital services taxes ("DSTs") refer to unilateral attempts by countries to impose taxes on the revenue generated by the digital activity of (largely) foreign multinational companies operating within their jurisdiction. Often, companies who generate digital revenue across many jurisdictions do not maintain a physical presence in the countries in which they operate. DSTs are a mechanism for taxing the activity of companies who might otherwise fall out of the country's income tax base. DSTs can target a range of digital activities, including advertising, streaming, the operation of intermediary services (such as online marketplaces), and the collection and sale of user data. For example, the United Kingdom's DST imposes a two-percent tax on the revenue from online marketplaces, search engines, and social media platforms which derive value from United Kingdom users. Austria's DST imposes a five percent tax on revenues from digital advertisement services. Certain countries like Colombia have enacted laws that deem a foreign company to have a significant economic presence ("SEP") if they provide digital services to domestic users. Companies with SEP status are subject either to the country's income tax or to a tax on their revenues.

DSTs and Pillar One

One of the original goals of Pillar One was to stop the promulgation of DSTs. In October 2021, the OECD and the G–20 announced that the Inclusive Framework had agreed in principle to the proposed two-pillar solution to address the tax challenges arising from the current state of international taxation of MNEs. The statement included a moratorium on adoption or enforcement of unilateral measures. The signatories agreed that "[n]o newly enacted Digital Services Taxes or other relevant similar measures will be imposed on any company from [October 8, 2021] and until the earlier of [December 31, 2023] or the coming into force of the [Multilateral Convention on Pillar One]." [1514]

In addition, the statement included an Annex describing the planned implementation of the two pillars. Pillar One provides for the removal of unilateral measures such as DSTs and revises the principles governing profit allocation among related parties and the amount and kind of contact between a business and a country (*i.e.*, nexus) that is deemed sufficient to justify that country's taxation of that business.

In October 2023, the OECD published a consolidated draft of a proposed Multilateral Convention on Pillar One (the "MLC"), limited to implementation of Amount A.[1515] Under the terms of the

[1514] OECD, "Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy" ("October 2021 Statement"), 2021, available at https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.htm.

[1515] The three documents published by the OECD on October 11, 2023, are "Multilateral Convention to Implement Amount A of Pillar One" ("MLC"), available at https://www.oecd.org/tax/beps/multilateral-convention-to-implement-amount-a-of-pillar-one.pdf; "Explanatory Statement to the Multilateral Convention to Implement Amount A of Pillar One," available at https://www.oecd.org/tax/beps/explanatory-statement-multilateral-convention-to-implement-amount-a-of-pillar-one.pdf; and "Understanding on the Application of Certainty for Amount A of Pillar One"

Pillar One Blueprint, as well as all subsequent iterations of the terms of Pillar One, members of the Inclusive Framework agree to rescind existing, and forgo future, DSTs and other unilateral measures in return for international consensus regarding the proper allocation of taxing rights with respect to certain profits of the largest MNEs.[1516] Such allocation requires determination of the residual profit that is allocated to market jurisdictions ("Amount A") and ceding taxing rights to market jurisdictions within a framework that ensures tax certainty for the affected firms within scope of the measure. In addition, Pillar One provides for a streamlined determination and allocation of profit from routine controlled transactions ("Amount B"). A jurisdiction joining the MLC may not enact or enforce a DST and if in violation of that prohibition, cannot receive any allocation of residual profits under Amount A.[1517]

The MLC includes a definition of DSTs and similar measures prohibited under Pillar One.[1518] Whether a tax is a DST or similar measure is determined by reference to criteria such as whether the tax is based on location of users or other market-based factors; is applicable only to nonresidents, either explicitly or in practice, because of revenue thresholds or other factors that insulate local business from such taxes; and is not within the scope of covered taxes in bilateral agreements intended to relieve double taxation. Value-added taxes, transaction taxes, and anti- abuse measures are generally not within the scope of the prohibited measures under the MLC.

The MLC enters into force only when ratified by 30 countries accounting for at least 60 percent of the ultimate parent entities of MNEs initially expected to be in scope for Amount A. Thus, the MLC cannot enter into force without ratification by the United States.[1519]

The MLC neither resolves how to ensure the rescission of DSTs nor how to preclude any new such measures. As stated above, the revocation or removal of the unilateral measures and DSTs enacted in several jurisdictions was a predicate to the agreement that resulted in the new taxing right proposed under Pillar One. However, as the likelihood of the MLC entering into force became more uncertain, various other countries began to consider the enactment of DSTs again. As of February 27, 2025, over 30 countries, including several large trading partners of the United States, have enacted DSTs, and several others have proposed legislation or announced an intention to implement DSTs.

On January 20, 2025, the President signed an Executive Order stating that the OECD global tax deal has no force or effect in the United States,[1520] followed the next day by a memorandum an-

("Tax Certainty Understanding"), available at https://www.oecd.org/tax/beps/understanding-on-the-application-of-certainty-for-amount-a-of-pillar-one.pdf.

[1516] Pillar One Blueprint, pars. 9, 89, and 847.

[1517] MLC, Article 39(1).

[1518] MLC, Article 39(2); see also MLC, Article 38 (Removal of Existing Measures) and Annex A (List of Existing Measures Subject to Removal).

[1519] MLC, Article 48 (Entry into Force) and Annex I. Ratifying jurisdictions must represent at least 600 points of the 1000 points available. Of the total 1000 points available, 463 points are allocated to the United States.

[1520] White House, *The Organization for Economic Cooperation and Development (OECD) Global Tax Deal (Global Tax Deal)*, January 20, 2025, available at https://www.whitehouse.gov/presi-

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nouncing that the United States would take action against countries enacting DSTs and other discriminatory taxes.[1521]

REASONS FOR CHANGE

The Committee is concerned about the proliferation of extraterritorial and discriminatory taxes imposed on American businesses. The UTPR allows extraterritorial jurisdiction over American income by imposing a tax on a resident subsidiary or branch of a foreign country on income generated outside the foreign country. This extraterritorial jurisdiction violates countries' obligations under tax treaties with the United States and contravenes the longstanding international agreement on which international taxing rights are founded. Further, the tax discriminates against American businesses by imposing a tax on their subsidiaries or related parties that is not imposed on other, similar businesses. In addition, it limits the ability of the United States to enact tax policies that promote growth and investment in the United States. Under the UTPR, both U.S.-headquartered companies and foreign-headquartered companies that operate in the United States face retaliation in the form of higher taxes imposed on foreign sister companies and subsidiaries if the United States does not comply with foreign tax policy objectives. The Committee is also concerned about the proliferation of DSTs. DSTs are often drafted to appear nondiscriminatory on their face, but are designed to disproportionately impact American companies and therefore are discriminatory in effect.

This provision will deter foreign countries from inappropriately taxing the income of U.S. corporations and their subsidiaries by increasing the tax imposed on a foreign country's residents (and their subsidiaries) and other entities connected to such country if the country has an extraterritorial or discriminatory tax and by increasing the BEAT tax rate and generally revoking certain favorable BEAT provisions for U.S. corporations that are owned by such entities. The provision creates an incentive for foreign jurisdictions to remove the unfair treatment of U.S.-headquartered or otherwise U.S.-parented companies, since it ceases to apply to these entities if the country revokes its discriminatory or extraterritorial tax or if the country provides that the discriminatory or extraterritorial tax does not apply to U.S. persons and their subsidiaries. Finally, the provision is designed to encourage foreign countries to act quickly by increasing in effect over time.

EXPLANATION OF PROVISION

The provision adds a new section 899, "Enforcement of Remedies Against Unfair Foreign Taxes," to the Code. Under the provision, the specified rate of tax that applies to an "applicable person" is increased by an "applicable number of percentage points." The specified rates of tax generally are:

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dential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/.

[1521] White House, *Defending American Companies and Innovators From Overseas Extortion and Unfair Fines and Penalties*, February 21, 2025, available at https://www.whitehouse.gov/presidential-actions/2025/02/defending-american-companies-and-innovators-from-overseas-extortion-and-unfair-fines-and-penalties/.

(i) the 30-percent rate imposed on FDAP income, certain capital gains, and certain other types of U.S.-source income of a nonresident alien individual; [1522]

(ii) the individual income tax rates imposed on a nonresident alien individual subject to tax on ECI, but only to the extent imposed on gains and losses from the disposition of a United States real property interest; [1523]

(iii) the 30-percent rate imposed on FDAP income and certain other types of U.S.-source income of a foreign corporation; [1524]

(iv) the 21-percent corporate income tax imposed on a foreign corporation's ECI; [1525]

(v) the 30-percent rate imposed on divided equivalent amounts of a branch (*i.e.*, branch profits tax);[1526] and

(vi) the four-percent rate imposed on U.S.-source gross investment income of foreign private foundations.[1527]

However, if another rate of tax applies in lieu of such rate, such other rate is increased by the applicable number of percentage points. The tax rate increase is the applicable number of percentage points in effect for the relevant discriminatory foreign country during the taxpayer's taxable year. If more than one applicable number of percentage points is in effect during the taxable year, the applicable number of percentage points is determined by using a weighted average, based on each applicable number of percentage points in effect during the taxable year and the number of days during which it was in effect. For purposes of determining the weighted average, the applicable number of percentage points is treated as zero for periods before the discriminatory foreign country's applicable date and after the taxpayer ceases to be an applicable person.

Furthermore, the provision provides that the gross income exclusion in section 892(a), which exempts from taxation income of foreign governments received from certain investments in the United States and certain interests on deposits in U.S. banks shall be exempt from taxation, does not apply to any government (within the meaning of section 892) of a discriminatory foreign country.[1528]

The provision also modifies the treatment of the BEAT with respect to certain corporations that are more than 50-percent owned (by vote or value), within the meaning of section 958(a), by certain other applicable persons. For those corporations, the BEAT is applied as if:

(i) the corporation has sufficient average annual gross receipts and a sufficient base erosion percentage to be an appli-

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[1522] This refers to the 30-percent rate imposed under section 871(a)(1) and section 871(a)(2).

[1523] This refers to the individual income tax rates in section 1 imposed under section 871(b), but only to the extent imposed on gains and losses under section 897(a)(1)(A).

[1524] This refers to the 30-percent rate imposed under section 881(a).

[1525] This refers to the 21-percent rate imposed on income treated as ECI under section 882(a).

[1526] This refers to the tax imposed under section 884.

[1527] This refers to the four-percent tax rate imposed under section 4948.

[1528] The tax-exempt status of other entities eligible for a statutory exemption are not impacted by this provision. For example, entities exempt under section 501(c) retain their exemption from tax. Similarly, the provision does not change the exemption for international organizations described in section 892(b) or foreign central banks under section 895.

cable taxpayer subject to the BEAT, provided the corporation meets the other requirements of an applicable taxpayer;[1529]

(ii) for purposes of calculating the base erosion minimum tax amount, modified taxable income is subject to a rate of 12.5 percent, and regular tax liability is reduced by all credits allowed under chapter 1 of the Code;

(iii) base erosion tax benefits attributable to base erosion payments are not reduced for amounts on which tax is imposed or withheld, and the base erosion percentage and base erosion payments are computed without regard to the exception for certain services in section 59A(d)(5); and

(iv) any amount (other than the purchase price of depreciable or amortizable property or inventory) that would have been a base erosion payment (as an amount paid or accrued to a related foreign party for which a deduction is allowable) but for the fact that the taxpayer capitalizes the amount is treated as if the amount had been deducted rather than capitalized for purposes of calculating the taxpayer's base erosion payments and base erosion tax benefits and is therefore added to taxable income for purposes of calculating modified taxable income.

In addition, the provision increases certain withholding taxes. Specifically, the provision increases the following rates of tax by the applicable number of percentage points in effect on the date of payment or disposition:

(i) the 30-percent rate on payments of FDAP income, certain capital gains, and certain other types of U.S. source income to an applicable person;[1530]

(ii) the 15-percent rate on dispositions of United States real property interests by an applicable person;[1531] and

(iii) the rate applicable in the case of certain dispositions, distributions, or other transactions involving or connected to an applicable person.[1532]

However, if another rate of tax applies in lieu of such statutory rate, such other rate is increased by the applicable number of percentage points.[1533] No penalties or interest are imposed with respect to the failure to deduct or withhold under this rule before January 1, 2027, if the person required to deduct or withhold demonstrates to the satisfaction of the Secretary that they made best efforts to do so in a timely manner.

The applicable number of percentage points means, with respect to any foreign country that is not a discriminatory foreign country, zero, and with respect to any discriminatory foreign country, five percentage points during the first one-year period beginning on the applicable date, and such amount increased by an additional five percentage points for each one-year period thereafter. However, the

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[1529] For the other requirements for meeting the definition of an applicable taxpayer, see section 59(e)(1)(A).

[1530] This refers to the 30-percent rate specified in sections 1441(a) and 1442(a).

[1531] This refers to the 15-percent rate specified in section 1445(a).

[1532] This refers to the rate specified in section 1445(e).

[1533] Because the provision only increases the specified rates of tax, it does not apply to income that is explicitly excluded from the application of the specified tax. Thus, for example, the provision does not apply to portfolio interest, to the extent that portfolio interest is excluded from the tax imposed on FDAP income. See section 871(h). Contrast certain categories of income that are subject to a reduced or zero rate of tax in lieu of the statutory rate, such as amounts that are exempted or subject to a reduced or zero rate of tax under a treaty obligation.

rate increases are limited such that the rate cannot exceed the relevant statutory rate (determined without regard to any rate applicable in lieu of such statutory rate) by more than 20 percentage points. The applicable date means, with respect to any discriminatory foreign country, the first day of the first calendar year beginning on or after the latest of (i) 90 days after the date of enactment of the provision; (ii) 180 days after the date of enactment of the unfair foreign tax that causes the country to be treated as a discriminatory foreign country, or (iii) the first date that an unfair foreign tax of the country begins to apply. If, on any day, the taxpayer is an applicable person with respect to more than one discriminatory foreign country, the highest applicable number of percentage points in effect applies. For purposes of the provision, an "applicable person" means:

(i) any government (within the meaning of section 892) of a discriminatory foreign country;

(ii) any individual (other than a U.S. citizen or resident) who is a tax resident of a discriminatory foreign country;

(iii) any foreign corporation that is a tax resident of a discriminatory foreign country, other than U.S.-owned foreign corporations;[1534]

(iv) any private foundation (within the meaning of section 4948) created or organized in a discriminatory foreign country;

(v) any foreign corporation, other than a publicly held corporation, that is more than 50 percent owned (by vote or value) directly or indirectly after applying certain attribution rules by other applicable persons;[1535]

(vi) any trust for which the majority of beneficial interests are held (directly or indirectly) by applicable persons; and (vii) foreign partnerships, branches, and any other entity identified by the Secretary with respect to a discriminatory foreign country.

If a person who was an applicable person would have ceased to be an applicable person for a period of less than one year, they continue to be treated as an applicable person during that period.

The provision defines "unfair foreign tax" to include a UTPR, DST, diverted profits tax, and, to the extent provided by the Secretary, an extraterritorial tax, discriminatory tax, or any other tax enacted with a public or stated purpose that the tax be economically born, directly or indirectly, disproportionately by U.S. persons. However, an unfair foreign tax does not include any tax that neither applies to any U.S. person (or trade or business thereof) nor to any foreign corporation (or trade or business thereof) that is a CFC and is more than 50 percent owned (by vote or value) directly or indirectly by U.S. persons.[1536]

The provision defines "extraterritorial tax" to generally mean any tax imposed by a foreign country on a corporation (or the corporation's trade or business) that is determined by reference to the income or profits of any person (or the person's trade or business) by

[1534] U.S.-owned foreign corporations are as defined in section 904(h)(6).

[1535] Direct or indirect ownership after application of attribution rules is as specified in section 958(a).

[1536] Direct or indirect ownership after application of attribution rules is as specified in section 958(a).

reason of such person being connected to the corporation through a chain of ownership (determined without regard to the ownership interests of any individual) other than as a result of the corporation having a direct or indirect ownership interest in such person.

The provision defines "discriminatory tax" to generally mean any tax imposed by a foreign country if:

(i) the tax applies more than incidentally to items of income that would not be considered to be from sources, or effectively connected to a trade or business, within the foreign country;

(ii) the tax is imposed on a base other than net income and is not computed by permitting recovery of costs and expenses;

(iii) the tax is exclusively or predominantly applicable to nonresident individuals and foreign corporations or partnerships because of the application of revenue thresholds, exemptions, or exclusions for taxpayers subject to the foreign country's corporate income tax or other restrictions of scope that ensure that substantially all residents supplying comparable goods or services are excluded from the tax; or

(iv) the tax is not treated as an income tax under the laws of the foreign country or is otherwise treated as outside the scope of any agreements that are in force between such country and one or more other jurisdictions for the avoidance of double taxation with respect to taxes on income.

However, except to the extent provided by the Secretary, an extraterritorial tax and a discriminatory tax do not include any generally applicable tax that constitutes:

(i) an income tax generally imposed on the citizens or residents of the foreign country, even if the computation of income includes payments that would be foreign source income;

(ii) an income tax that would otherwise be an unfair foreign tax solely because it is imposed on the income of nonresidents attributable to a trade or business in such foreign country;

(iii) an income tax that would otherwise be an unfair foreign tax solely because it is imposed on citizens or residents of such foreign country by reference to the income of a corporate subsidiary of such person;

(iv) a withholding tax or gross basis tax on any amount described in section 871(a)(1) or 881(a) (generally, FDAP income withholding), other than a withholding tax or gross basis tax imposed with respect to services performed by persons other than individuals;

(v) a value added tax, goods and services tax, sales tax, or other similar tax on consumption;

(vi) a tax imposed with respect to transactions on a per-unit or per-transaction basis;

(vii) a tax on real or personal property, an estate tax, gift tax, or other similar tax;

(viii) a tax that would otherwise be an extraterritorial tax or discriminatory tax solely by reason of consolidation or loss sharing rules, provided that the consolidation or loss sharing rules generally apply only with respect to income of tax residents of the foreign country; or

(ix) any other tax identified by the Secretary.

For purposes of the provision, the term "discriminatory foreign country" means any foreign country that has unfair foreign taxes; "foreign country" includes foreign countries, political subdivisions thereof, and dependent territories or possessions of the country (but not any possession of the United States); and a "tax" includes any increase in tax, whether effectuated by an increase in the rate of tax or the base on which the tax is imposed, or by a denial of deductions, denial of credits, or other means.

The provision instructs the Secretary to issue regulations or other guidance that are necessary and appropriate to carry out the purposes of new section 899, including to: (i) provide for adjustments to its application to prevent the avoidance of its purposes, including with respect to the application to branches, partnerships, and other entities; (ii) quarterly listing the discriminatory foreign countries (and each country's applicable date);[1537] (iii) notify Congress of any changes to such list; (iv) exercise the authority to provide exceptions to the definitions of applicable person, extraterritorial tax, and discriminatory tax; and (v) prevent certain payments to a foreign related party that are treated as base erosion payments and base erosion tax benefits from being double counted in the denominator of the base erosion percentage for purposes of the BEAT.

EFFECTIVE DATE

The provision is effective on the date of enactment.

The rate increases on FDAP income, ECI, the branch profits tax, and the excise tax on foreign private foundations and the modifications to the application of the BEAT apply to taxable years beginning after the later of (i) 90 days after the date of enactment of the provision, (ii) 180 days after the date of enactment of the unfair foreign tax that causes such country to be treated as a discriminatory foreign country, and (iii) the first date that the unfair foreign tax of such country begins to apply; and before the last date on which the discriminatory foreign country imposes an unfair foreign tax. The rate increases on withholding tax apply with respect to a person for each calendar year beginning during the period that such person is an applicable person, provided that they do not apply if the foreign country is not listed as a discriminatory foreign country by the Secretary (or in the case of certain foreign corporations or trusts that are applicable persons because their owners or beneficiaries are applicable persons, if the discriminatory foreign country and its applicable date have not been so listed for 90 days).

[1537] The Secretary is expected to issue a list of discriminatory foreign countries in a form and manner that allows for regular updates, and which is easily accessible to taxpayers, withholding agents, and the public. This is not required to be included in regulations or other formal guidance to take effect.

REDUCTION OF EXCISE TAX ON FIREARMS SILENCERS (SEC. 112030 OF THE BILL AND SEC. 5811 OF THE CODE)

PRESENT LAW

The National Firearms Act (the "NFA"),[1538] which is codified as chapter 53 of the Code, requires importers, manufacturers, and dealers in firearms to pay a special occupational tax and register with the Treasury, and also imposes excise taxes on the transfer and making of firearms.[1539] Generally, in order to engage in business, an importer or manufacturer of firearms is required to pay a special occupational tax of $1,000 for each year and for each place of business; a dealer of firearms is required to pay an special occupational tax of $500 for each year and for each place of business.[1540] However, persons who conduct businesses exclusively with, or on behalf of, the United States or any department or agency of the United States are generally exempt from the special occupational tax.[1541] Generally, importers, manufacturers, and dealers in firearms are required to register with the Secretary of the Treasury (the "Secretary") in each internal revenue district in which the business is carried on.[1542]

An excise tax of $200 is generally imposed on each firearm that is transferred ("transfer tax") or made ("making tax").[1543] However, a firearm may be transferred to the United States, or a department, independent establishment, or agency of the United States, without payment of the transfer tax.[1544] A firearm may also be transferred or made without payment of the transfer tax or making tax, respectively, if the firearm is transferred or made by or on behalf of a State, possession of the United States, any political subdivision, or any official police organization of a government entity engaged in criminal investigations.[1545] Further, a firearm registered to a person that is qualified under the NFA to engage in business as an importer, manufacturer, or dealer may be transferred without payment of transfer tax to any other person qualified to manufacture, import, or deal in that type of firearm.[1546] A manufacturer qualified under the NFA may also make the type of firearm which the manufacturer is qualified to manufacture without payment of the making tax.[1547]

Under the NFA, a "firearm" means (1) a shotgun having a barrel or barrels of less than 18 inches in length; (2) a weapon made from a shotgun if such weapon as modified has an overall length of less than 26 inches or a barrel or barrels of less than 18 inches in length; (3) a rifle having a barrel or barrels of less than 16 inches in length; (4) a weapon made from a rifle if such weapon as modified has an overall length of less than 26 inches or a barrel or bar-

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[1538] Pub. L. No. 73–474.
[1539] Secs. 5801 *et seq*.
[1540] Sec. 5801(a).
[1541] Sec. 5851.
[1542] Sec. 5802.
[1543] Secs. 5811 and 5821.
[1544] Sec. 5852(a).
[1545] Sec. 5853.
[1546] Sec. 5852(d).
[1547] Sec. 5852(c).

rels of less than 16 inches in length; (5) any other weapon;[1548] (6) a machine gun; (7) a silencer; and (8) a destructive device. The term "firearm" does not include an antique firearm or any device (other than a machine gun or destructive device) which, although designed as a weapon, the Secretary finds by reason of the date of its manufacture, value, design, and other characteristics is primarily a collector's item and is not likely to be used as a weapon.[1549]

REASONS FOR CHANGE

The Committee believes that silencers should not be treated as firearms, are an important tool for protecting the hearing of firearm users, and that the transfer tax, which generally applies to firearms and inhibits Americans from exercising their Second Amendment rights, should not apply to silencers.

EXPLANATION OF PROVISION

Under the provision, the transfer tax on silencers is reduced from $200 to $0 for each silencer transferred.

EFFECTIVE DATE

The provision is effective for transfers after the date of enactment.

MODIFICATIONS TO DE MINIMIS ENTRY PRIVILEGE FOR COMMERCIAL SHIPMENTS (SEC. 112031 OF THE BILL)

PRESENT LAW

Section 321 of the Tariff Act of 1930 generally allows shipments bound for American businesses and consumers valued under $800 to enter the U.S. free of duties and taxes. This is known as the *de minimis* administrative exemption. Also, under current law, the penalty for abusing *de minimis* is forfeiture of the shipment (often valued at $55 or less).

REASONS FOR CHANGE

The original purpose of the *de minimis* privilege is to avoid expense disproportionate to the amount of duty that would otherwise be collected from the import. However, as a result of the explosion of global e-commerce, *de minimis* trade has surged to become a major source of imports to the United States and has become a core aspect of the business model used by certain companies that are based outside the United States and primarily export from China. The scale of these *de minimis*-focused companies has transformed the practical reality of *de minimis* such that in many cases it provides advantages to companies with fewer U.S. assets, production, and workers than their competitors. U.S. authorities also generally have less data on *de minimis* shipments than they do on other U.S.

[1548] As defined in sec. 5845(e). The term "any other weapon" includes, for example, a weapon or device capable of being concealed on the person from which a shot can be discharged through the energy of an explosive and a pistol or revolver having a barrel with a smooth bore designed or redesigned to fire a fixed shotgun shell. The term does not include a pistol or a revolver having a rifled bore.

[1549] Sec. 5845(a).

imports, which creates trade enforcement challenges and introduces gaps in U.S. import data. Finally, the current penalty for abusing *de minimis*, mere forfeiture of the shipment, has proven to be an inadequate deterrence to bad actors.

Moreover, the provision aligns closely with President Trump's Executive Order 14256 of April 2, 2025 (Further Amendment to Duties Addressing the Synthetic Opioid Supply Chain in the People's Republic of China as Applied to Low-Value Imports), which on an emergency basis eliminated duty-free *de minimis* treatment on articles of $800 or less sent to the United States from the People' Republic of China. By repealing Section 321(a)(2)(C), while leaving unchanged Sections 321(a)(2)(A) and (B), the Committee intends to eliminate *de minimis* treatment for commercial shipments while leaving unchanged the exemptions provided for bona fide gifts or travelers bringing items for personal use.

No section of this provision should be interpreted to diminish existing authorities of the President to enforce U.S. laws by limiting the availability of the administrative exemption under Section 321, including to protect the revenue or to prevent unlawful importation. By repealing the statute providing this exemption in 2027, the Committee is in no way modifying or undermining actions the President has already taken or may take in the future to restrict the availability of the administrative exemption prior to the repeal date.

The Committee recognizes the unique challenges the repeal may present in the postal environment and affirms that it may be necessary for the President to direct the U.S. Department of the Treasury and U.S. Customs and Border Protection to work with the U.S. Postal Service to develop an alternative method to collect appropriate customs duties and taxes applicable to packages received in the postal environment.

EXPLANATION OF PROVISION

The provision will end the *de minimis* privilege for commercial shipments from all countries starting on July 1, 2027. This will level the playing field by ending the advantage that has been provided to e-commerce operators with a business model of shipping directly from a foreign country to a U.S. customer. This change also will aid law enforcement efforts to address other unfair and illegal trade practices, including the importation of fentanyl precursors and items made in whole or in part using forced labor. Additionally, for any person who violates U.S. law through *de minimis* shipments, the provision imposes new civil penalties of up to $5,000 for the first violation and up to $10,000 for each subsequent offense.

EFFECTIVE DATE

The provision that repeals the *de minimis* exemption will take effect on July 1, 2027. The provision that creates a civil penalty is effective 30 days after the date of enactment of this act.

LIMITATION ON DRAWBACK OF TAXES PAID WITH RESPECT TO SUBSTITUTED MERCHANDISE (SEC. 112032 OF THE BILL)

PRESENT LAW

Importers may be eligible for a "drawback" of excise tax on certain products. A drawback of duties, taxes, and fees paid when a product is imported is a refund provided of those duties, taxes, or fees when the product is exported or destroyed.

"Substitution drawback" is one common type of drawback. Substitution drawback involves refunding certain duties, taxes, and fees that are paid upon importation and refunded when similar goods (usually merchandise with the same 8-digit Harmonized Tariff Schedule code) are exported. Since 2008, substitution drawback has been allowed for similar types of imported and exported wine.[1550] As a result, some companies that both import and export wine have claimed drawbacks for duties, taxes, and fees paid on the imported wine based on their exports of wine of similar type and quality. Substitution drawback has included drawback of excise tax even though exported wine is generally not subject to excise tax.[1551] This practice is referred to as a "double drawback" because a company receives a drawback refund of excise tax paid on the imported product, even though excise tax either was never paid on the exported product or any excise tax that was paid was refunded outside of the drawback program.

The Department of the Treasury and Customs and Border Protection promulgated a series of regulations in 2018 to stop the practice of double drawback by making exports that are not subject to excise tax ineligible to serve as the basis for a drawback claim of excise tax.[1552] These regulations were not limited to wine, but also covered other products, such as tobacco products, exports of which are generally not subject to tax.[1553] However, in August 2021, the U.S. Court of Appeals for the Federal Circuit in *National Association of Manufacturers v. Department of the Treasury* affirmed a lower court's ruling invalidating the regulations.[1554] As a result, U.S. companies that both import goods subject to excise tax and export similar goods not subject to excise tax are allowed to continue using double drawback to seek refunds of excise tax.

REASONS FOR CHANGE

The Committee believes that in order to ensure a level playing field for U.S. producers of tobacco products that do not import, drawback of excise tax on tobacco products should not be allowed to exceed the amount of taxes that are actually paid on substituted merchandise.

EXPLANATION OF PROVISION

Under the provision, for purposes of drawback of tax imposed under chapter 52 of the Code (tobacco products and related prod-

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[1550] See *National Ass'n of Manufacturers v. Dep't of the Treasury*, 10 F.4th 1279 (Fed. Cir. 2021).
[1551] Sec. 5362.
[1552] 83 Fed. Reg. 64942, December 18, 2018.
[1553] Ibid.; see sec. 5704.
[1554] *National Ass'n of Manufacturers v. Dep't of the Treasury*, 10 F.4th 1279 (Fed. Cir. 2021).

ucts), the amount of drawback granted under the Code or the Tariff Act of 1930 on the export or destruction of substituted merchandise may not exceed the amount of taxes paid (and not returned by refund, credit, or drawback) on the substituted merchandise.

This provision only applies to tobacco products.

This provision makes no other change with respect to the drawback program. For emphasis, the Committee notes that this provision makes no change with respect to double drawback for products other than tobacco.

EFFECTIVE DATE

The provision is effective for claims filed on or after July 1, 2026.

PART II—REMOVING TAXPAYER BENEFITS FOR ILLEGAL IMMIGRANTS

PERMITTING PREMIUM TAX CREDIT ONLY FOR CERTAIN INDIVIDUALS (SEC. 112101 OF THE BILL AND SEC. 36B OF THE CODE)

PRESENT LAW

In general

A refundable tax credit (the "premium assistance credit" or "premium tax credit") is provided for eligible individuals and families to subsidize the purchase of "qualified health plans," [1555] which are health insurance plans offered through an American Health Benefit Exchange ("Exchange") created by the Patient Protection and Affordable Care Act ("PPACA").[1556] In general, the Secretary makes advance payments with respect to the premium assistance credit during the year directly to the insurer, as discussed below.[1557] However, eligible individuals may instead pay their total health insurance premiums without advance payments and claim the credit for the taxable year on a Federal income tax return.

The premium assistance credit is generally available for individuals (single or joint filers) with household incomes between 100 percent and 400 percent of the Federal poverty level ("FPL") for the applicable family size.[1558] Household income is defined as the sum of (1) the individual's modified adjusted gross income ("AGI"), plus (2) the aggregate modified AGI of all other individuals taken into account in determining the individual's family size (but only if the other individuals are required to file tax returns for the taxable year).[1559] Modified AGI is defined as AGI increased by (1) any amount excluded from gross income for citizens or residents living abroad,[1560] (2) any tax-exempt interest received or accrued during

[1555] Sec. 36B. Qualified health plans generally must meet certain requirements. Secs. 1301 and 1302 of the Patient Protection and Affordable Care Act, 42 U.S.C. secs. 18021 and 18022.

[1556] Pub. L. No. 111–148, March 23, 2010. The PPACA was modified by the Health Care and Education Reconciliation Act of 2010 ("HCERA"), Pub. L. No. 111–152, Title I, sec. 1001, March 30, 2010. PPACA and HCERA are referred to collectively as the PPACA.

[1557] Sec. 1412 of the PPACA, 42 U.S.C sec. 18082.

[1558] Sec. 36B(c)(1). Federal poverty level refers to the most recently published poverty guidelines determined by the Secretary of Health and Human Services. Levels for 2025 are available at https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines. Levels for previous years are available at https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references.

[1559] Sec. 36B(d)(2).

[1560] Sec. 911.

the tax year, and (3) any portion of the individual's Social Security benefits not included in gross income.[1561] To be eligible for the premium assistance credit, individuals who are married generally must file a joint return.[1562] Individuals who are listed as dependents on a return are not eligible for the premium assistance credit.

Currently, under sec. 36B(c)(1)(B), a taxpayer with household income less than 100 percent of FPL who is an alien lawfully present but is ineligible for Medicaid under title XIX of the Social Security Act by reason of such alien status may be treated as an applicable taxpayer with a household income equal to 100 percent of FPL.

An individual who is eligible for minimum essential coverage from a source other than the individual insurance market generally is not eligible for the premium assistance credit.[1563] However, an individual who is offered minimum essential coverage under an employer-sponsored health plan may be eligible for the premium assistance credit if (1) the coverage is either unaffordable or does not provide minimum value, and (2) the individual declines the employer-offered coverage.[1564] Thus, an individual who enrolls in an employer-sponsored health plan generally is ineligible for the premium assistance credit even if the coverage is considered unaffordable or does not provide minimum value. Coverage is considered unaffordable if an employee's share of the premium for self-only coverage under the plan exceeds 9.02 percent (for 2025)[1565] of the employee's household income.[1566] Coverage is considered not to provide minimum value if the plan's share of total allowed costs of plan benefits is less than 60 percent of such costs.

Beginning in 2023, Treasury regulations provide that coverage affordability is determined separately for employees and family members of employees. Affordability is determined (1) for the employee, based on the employee's share of the premium for self-only coverage, and (2) for the family members of the employee, based on the employee's share of the premium for covering the employee and those family members (*i.e.*, family coverage).[1567]

Amount of credit

The premium assistance credit amount is generally the lower of (1) the premium for the qualified health plan in which the individual or family enrolls, and (2) the premium for the second lowest cost silver plan in the rating area where the individual resides,[1568]

[1561] Under section 86, only a portion of an individual's Social Security benefits is included in gross income.

[1562] Sec. 36B(c)(1)(C).

[1563] Sec. 36B(c)(2). Minimum essential coverage is defined in section 5000A(f).

[1564] Sec. 36B(c)(2)(C).

[1565] Rev. Proc. 2024–35, 2024–39 I.R.B. 638.

[1566] Employees and their family members who are provided a qualified small employer health reimbursement arrangement ("QSEHRA") that constitutes affordable coverage are not eligible for the premium assistance credit. Sec. 36B(c)(4)(C). The affordability determination for QSEHRAs is similar to the affordability determination for an employer-sponsored health plan. Specifically, a QSEHRA is treated as constituting affordable coverage for a month if an employee's share of the premium for self-only coverage under the second lowest cost silver plan offered in the relevant individual health insurance market does not exceed 9.02 percent (for 2025) of the employee's household income. A QSEHRA is defined in section 9831(d)(2).

[1567] T.D. 9968, 87 Fed. Reg. 61979, October 13, 2022.

[1568] A "silver plan" refers to the level of coverage provided by the health plan. Sec. 1302(d) of the PPACA, 42 U.S.C. sec. 18022. Most health plans sold through an Exchange are required to meet actuarial value ("AV") standards, among other requirements. AV is a summary measure of a plan's generosity, expressed as a percentage of medical expenses estimated to be paid by

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reduced by the individual's or family's share of premiums (the "applicable contribution percentage").[1569] The individual's or family's applicable contribution percentage is indexed so that the individual's or family's share of premiums rises if health coverage premium increases are greater than increases in income across the economy.[1570]

Table 3 shows an individual's or family's unindexed share of premiums applicable to taxable years prior to 2021.

Table 3—Household's Share of Premiums[1571]

[Prior to 2021, unindexed]

Household income (expressed as a percent of FPL)	Initial percentage of household income *	Final percentage of household income
Less than 133%	2.0	2.0
133% up to 150%	3.0	4.0
150% up to 200%	4.0	6.3
200% up to 250%	6.3	8.05
250% up to 300%	8.05	9.5
300% up to 400%	9.5	9.5

*The initial percentage of household income corresponds to the bottom of the corresponding FPL range, and the final percentage of household income corresponds to the top of the corresponding FPL range.

For taxable year beginning in 2021 or 2022, Section 9661 of the American Rescue Plan Act of 2021 ("ARP")[1572] temporarily reduced or eliminated an individual's or family's share of premiums used in determining the amount of the premium assistance credit and eliminated the indexing of these amounts. The premium assistance credit was also made available to taxpayers with incomes above the limitation of 400 percent of FPL for the applicable family size. For taxable years beginning after 2022, section 12001 of the Inflation Reduction Act of 2022 ("IRA")[1573] extends through 2025 the reduction or elimination of an individual's or family's share of premiums used in determining the amount of the premium assistance credit and the elimination of indexing. The provision also extends through 2025 the rule making the premium assistance credit available to taxpayers with incomes above the limitation of 400 percent of FPL for the applicable family size.

Table 4 below shows an individual's or family's share of premiums applicable for 2021 through 2025. The share of premiums is a certain percentage of household income, ranging from 0.0 percent of household income (up to 150 percent of FPL) up to 8.5 per-

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the insurer for a standard population and set of allowed charges. Silver-level plans are designed to provide benefits that are actuarially equivalent to 70 percent of the full AV of the benefits provided under the plan. The premium assistance credit looks to the second lowest cost plan of all the silver plans available in the relevant rating area.

An individual's "rating area" refers to the geographical unit within the State where the individual resides. Insurers may vary individual market premiums based on rating areas, among other factors. See sec. 1201 of the PPACA, 42 U.S.C.sec. 300gg.

[1569] Sec. 36B(b). The amount of the premium assistance credit is determined on a monthly basis, and the amount of the credit for a year is the sum of the monthly amounts.

[1570] Sec. 36B(b)(3)(ii). In addition, beginning with calendar year 2019, this indexing incorporates an additional factor under which the applicable contribution percentage is subject to an additional adjustment to account for increases in premium growth over increases in the consumer price index if the aggregate amount of premium tax credits and cost-sharing reductions under section 1402 of the PPACA, 42 U.S.C sec. 18071, for the preceding calendar year exceeds an amount equal to 0.504 percent of the gross domestic product for the preceding calendar year.

[1571] Sec. 36B(b)(3)(ii)(II)–(III).

[1572] Pub. L. No. 117–2, March 11, 2021.

[1573] Pub. L. No. 117–169, August 16, 2022.

cent of household income, determined on a sliding scale in a linear manner.

Table 4—Household's Share of Premiums [1574]

[for 2021 through 2025]

Household income (expressed as a percent of FPL)	Initial percentage of household income *	Final percentage of household income
Less than 150%	0.0	0.0
150% up to 200%	0.0	2.0
200% up to 250%	2.0	4.0
250% up to 300%	4.0	6.0
300% up to 400%	6.0	8.5
400% and higher	8.5	8.5

*The initial percentage of household income corresponds to the bottom of the corresponding FPL range, and the final percentage of household income corresponds to the top of the corresponding FPL range.

Advance payments of the premium assistance credit

As part of the process of enrollment in a qualified health plan through an Exchange, an individual may apply and be approved for advance payments with respect to a premium assistance credit ("advance payments").[1575] The individual must provide information on income, family size, changes in marital or family status or income, and citizenship or lawful presence status.[1576] Eligibility for advance payments is generally based on the individual's income for the taxable year ending two years prior to the enrollment period. The Exchange process is administered by the Department of Health and Human Services ("HHS") through the Centers for Medicare and Medicaid Services ("CMS") and includes a system through which information provided by the individual is verified using information from the Internal Revenue Service ("IRS") and certain other sources.[1577] If an individual is approved for advance payments, the Secretary pays the advance amounts on a monthly basis directly to the issuer of the health plan in which the individual is enrolled. The individual then pays to the issuer of the plan the difference between the advance payment amount and the total premium charged for the plan.

An individual on whose behalf advance payments of the premium assistance credit for a taxable year are made is required to file an

[1574] Sec. 36(B)(b)(3)(A)(iii).

[1575] Secs. 1411 and 1412 of the PPACA, 42 U.S.C. secs. 18081 and 18082. Under section 1402 of the PPACA, 42 U.S.C sec. 18071, certain individuals eligible for advance premium assistance payments also are eligible for a reduction in their share of medical costs, such as deductibles and copays, under the plan, referred to as reduced cost-sharing. Eligibility for reduced cost-sharing is also determined as part of the Exchange enrollment process. HHS is responsible for rules relating to Exchanges and the eligibility determination process.

[1576] Under section 1312(f)(3) of the PPACA, 42 U.S.C. sec. 18032(f)(3), an individual may not enroll in a qualified health plan through an Exchange if the individual is not a citizen or national of the United States or an alien lawfully present in the United States. Thus, such an individual is not eligible for the premium assistance credit.

[1577] Under section 6103, returns and return information are confidential and may not be disclosed, except as authorized by the Code, by IRS employees, other Federal employees, State employees, and certain others having access to such information. Under section 6103(l)(21), upon written request of the Secretary of HHS, the IRS is permitted to disclose certain return information for use in determining an individual's eligibility for advance premium assistance payments, reduced cost-sharing, or certain other State health subsidy programs, including a State Medicaid program under title XIX of the Social Security Act, 42 U.S.C. secs. 1396w–1 through 1396w–5, a State's Children's Health Insurance Program under title XXI of the Social Security Act, 42 U.S.C. secs. 1397aa through 1397mm, and a Basic Health Program under section 1331 of the PPACA, 42 U.S.C. sec. 18051.

income tax return to reconcile the advance payments with the premium assistance credit that the individual is allowed for the taxable year.[1578]

If the advance payments of the premium assistance credit exceed the amount of credit that the individual is allowed, the excess ("excess advance payments") is treated as an additional tax liability on the individual's income tax return for the taxable year (is "recaptured"), subject to a limit on the amount of additional liability in some cases.[1579] For an individual with household income below 400 percent of FPL, recapture for a taxable year generally is limited to a specific dollar amount (the "applicable dollar amount") as shown in Table 5 below.

TABLE 5.—RECAPTURE LIMITS [1580]

[for 2025]

Household Income (expressed as a percent of FPL)	Applicable Dollar Amount (filing status of Single)	Applicable Dollar Amount (any other filing status)
Less than 200%	$375	$750
At least 200% but less than 300%	975	1,950
At least 300% but less than 400%	1,625	3,250

If the advance payments of the premium assistance credit for a taxable year are less than the amount of the credit that the individual is allowed, the additional credit amount is allowed as a refundable credit when the individual files an income tax return for the year.

An individual may not enroll in a qualified health plan through an Exchange if the individual is not a citizen or national of the United States or an alien lawfully present in the United States.[1581] Thus, such an individual is not eligible for the premium assistance credit. In addition, an individual who is not lawfully present is not eligible for cost-sharing reductions [1582] or enrollment in a basic health program.[1583]

REASONS FOR CHANGE

The Committee is of the view that premium tax credits are intended to help American individuals and families afford the cost of health care. This public assistance is not intended to aid those who may have recently arrived in the United States with the intent of using public benefits, or who may have arrived under false pre-

[1578] Treas. Reg. sec. 1.6011–8. Under section 36B(f)(3), an Exchange is required to report to the IRS and to the individual the months during a year for which the individual was covered by a qualified health plan purchased through the Exchange; the level of coverage; the name, address, and Taxpayer Identification Number ("TIN") of the primary insured and each individual covered by the policy; the total premiums paid by the individual; and, if applicable, advance premium assistance payments made on behalf of the individual. This information is reported on Form 1095–A.

[1579] Sec. 36B(f)(2). For a taxable year beginning in 2020, ARP temporarily removed the requirement that excess advance payments are treated as an additional tax liability on the individual's income tax return for the taxable year. Accordingly, for 2020, no excess advance payment was subject to recapture. Sec. 36B(f)(2)(B)(iii).

[1580] Rev. Proc. 2024–40, 2024–45 I.R.B. 1100. The applicable dollar amounts are indexed to reflect cost-of-living increases, with the amount of any increase rounded down to the next lowest multiple of $50.

[1581] Sec. 1312(f)(3) of the PPACA, 42 U.S.C. sec. 18032(f)(3).

[1582] Sec. 1402(e)(1) of the PPACA, 42 U.S.C. sec. 18071(e)(1).

[1583] Sec. 1331(e)(1) of the PPACA, 42. U.S.C. sec. 18051(e)(1).

tenses. To better protect taxpayer dollars, the Committee therefore believes that restricting access to premium tax credits to citizens and nationals, lawful permanent residents, and those in select other immigration categories better accords with the underlying intent of offering premium assistance.

EXPLANATION OF PROVISION

The provision provides that a lawfully-present alien is eligible for the premium assistance credit only if the individual is, and is reasonably expected to be for the entire period of enrollment for which the credit is claimed:

1. An alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act.[1584]

2. An alien who is a citizen or national of the Republic of Cuba who is a beneficiary of an approved petition under section 203(a) of the Immigration and Nationality Act and who meets all eligibility requirements for an immigrant visa but for whom such a visa is not immediately available.[1585]

3. An individual who lawfully resides in the United States in accordance with a Compact of Free Association.[1586]

In addition, the provision makes several conforming amendments to the PPACA to extend the same treatment of the categories of aliens listed above for purposes of the verification of information as part of Exchange enrollment, eligibility for cost-sharing reductions, and eligibility for a basic health program.

The provision provides that the Secretary of the Treasury and the Secretary of HHS may prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this provision.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2026, and for plan years beginning on or after January 1, 2027.

CERTAIN ALIENS TREATED AS INELIGIBLE FOR PREMIUM TAX CREDIT (SEC. 112102 OF THE BILL AND SEC. 36B OF THE CODE)

PRESENT LAW

For a description of the premium tax credit, see Section A of this Part.

REASONS FOR CHANGE

The Committee is of the view that premium tax credits are intended to help American individuals and families afford the cost of health care. This public assistance is not intended to aid those who

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[1584] 8 U.S.C. sec. 1101 et seq.

[1585] The individual must also be physically present in the United States pursuant to a grant of parole in furtherance of the commitment of the United States to the minimum level of annual legal migration of Cuban nationals to the United States specified in the U.S.-Cuba Joint Communiquè on Migration, done at New York September 9, 1994, and reaffirmed in the Cuba-United States: Joint Statement on Normalization of Migration, Building on the Agreement of September 9, 1994, done at New York May 2, 1995.

[1586] Referred to in section 402(b)(2)(G) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Pub. L. No. 104–193, August 22, 1996.

may have recently arrived in the United States with the intent of using public benefits, or who may have arrived under false pretenses.

To better protect taxpayer dollars, the Committee therefore believes that at least prohibiting individuals from benefiting from premium assistance if they are particularly likely to have entered the United States with the intent of using public benefits or under false pretenses better accords with the underlying intent of offering premium assistance. The Committee believes that individuals in the immigration categories listed in this provision are among those most likely to have entered the United States for the above-stated reasons, so that preventing at least these individuals from accessing premium tax credits will protect American taxpayers from fraud and waste in the delivery of health benefits.

EXPLANATION OF PROVISION

The provision adds an additional subparagraph to section 36B(e)(2) that provides that, notwithstanding the previous subparagraph (described in Section A of this Part), a lawfully-present alien is eligible for the premium assistance credit only if the individual is not, and is reasonably expected not to be for the entire period of enrollment for which the credit is claimed:

1. an alien granted or with a pending application for asylum under the Immigration and Nationality Act;[1587]

2. an alien granted parole under the Immigration and Nationality Act;[1588]

3. an alien granted temporary protected status under the Immigration and Nationality Act;[1589]

4. an alien granted deferred action or deferred enforced departure; or

5. an alien granted withholding of removal under the Immigration and Nationality Act.[1590]

The provision provides that the Secretary of the Treasury and the Secretary of HHS may prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this provision.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2026.

DISALLOWING PREMIUM TAX CREDIT DURING PERIODS OF MEDICAID INELIGIBILITY DUE TO ALIEN STATUS (SEC. 112103 OF THE BILL AND SEC. 36B OF THE CODE)

PRESENT LAW

For a general description of the premium tax credit and the Exchanges, see Section A of this Part.

[1587] Sec. 208 of the Immigration and Nationality Act, 8 U.S.C. sec. 1158.

[1588] Secs. 212(d)(5) or 236(a)(2)(B) of the Immigration and Nationality Act, 8 U.S.C. secs. 1182(d)(5) or 1226(a)(2)(B).

[1589] Sec. 244 of the Immigration and Nationality Act, 8 U.S.C. sec. 1254A.

[1590] Sec. 241(b)(3) of the Immigration and Nationality Act, 8 U.S.C. sec. 1231(b)(3).

In order to be treated as an "applicable taxpayer" and therefore eligible for the premium tax credit, a taxpayer's household income generally must be between 100 percent and 400 percent of FPL for the applicable family size. However, under a special rule, a lawfully-present alien with a household income less than 100 percent of FPL who is ineligible for Medicaid under title XIX of the Social Security Act by reason of such alien status may be treated as an applicable taxpayer with a household income equal to 100 percent of FPL ("special rule for lawfully-present aliens").[1591]

REASONS FOR CHANGE

The Committee is of the view that premium tax credits are intended to help American individuals and families afford the cost of health care. This public assistance is not intended to aid those who may have recently arrived in the United States with the intent of using public benefits. In general, the Committee believes that the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 [1592] takes a sound approach to the eligibility of aliens for public benefits, and so wishes to bring eligibility for the premium tax credits more in accord with that law.

EXPLANATION OF PROVISION

The provision repeals the special rule for lawfully-present aliens, so that lawfully-present aliens with household incomes less than 100 percent FPL who are ineligible for Medicaid by reason of alien status are no longer eligible for premium tax credits. In addition, the provision makes a conforming amendment to the basic health program standards so that basic health programs are not required to cover such individuals.

The provision provides that the Secretary of the Treasury and the Secretary of HHS may prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this provision.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

LIMITING MEDICARE COVERAGE OF CERTAIN INDIVIDUALS (SEC. 112104 OF THE BILL)

PRESENT LAW

Under current law, individuals who are "lawfully present" in the U.S. and meet Medicare's standard eligibility requirements are generally allowed to enroll in Medicare.

REASONS FOR CHANGE

The Committee believes that recent years of open borders and lax immigration enforcement under the Biden-Harris Administration have threatened the integrity of the nation's federal health programs, like Medicare. As a consequence of President Biden's

[1591] Sec. 36B(c)(1)(B).
[1592] Pub. L. No. 104–193, August 22, 1996.

failed immigration policies, illegal aliens may be eligible for federal benefit programs, including Medicare.

EXPLANATION OF PROVISION

The provision eliminates Medicare eligibility for illegal immigrants and preserves Medicare eligibility only for citizens of the United States, certain Cuban individuals, and individuals living in the United States pursuant to a compact of free association.

EFFECTIVE DATE

The provision is effective upon the date of enactment.

EXCISE TAX ON REMITTANCE TRANSFERS (SEC. 112105 OF THE BILL AND SEC. 6724 AND NEW SECS. 36C, 4475 AND 6050BB OF THE CODE)

PRESENT LAW

Remittance transactions generally involve a sender of payments in one country, a recipient in a separate country, financial intermediaries in both countries, and a payment system used by such intermediaries. The laws applicable to remittance transfers are generally found in Titles 12 and 15 of the United States Code and the regulations thereunder. Under such provisions, a "remittance transfer" is defined as the electronic transfer of funds requested by a sender located in any State, territory, or possession of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any political subdivision of any of the foregoing [1593] to a designated recipient that is initiated by a remittance transfer provider, whether or not the sender holds an account with the remittance transfer provider and whether or not the remittance transfer is also an electronic fund transfer.[1594] Such term does not include certain small-value transactions.[1595] A "remittance transfer provider" means any person or financial institution that provides remittance transfers for a consumer in the normal course of its business, whether or not the consumer holds an account with such person or financial institution.[1596] The term "sender" means a consumer who requests a remittance provider to send a remittance transfer for the consumer to a designated recipient.[1597] Finally, a "designated recipient" means any person located in a foreign country and identified by the sender as the authorized recipient of a remittance transfer to be made by a remittance transfer provider.[1598]

[1593] 15 U.S.C. sec. 1693a(11).

[1594] 15 U.S.C. sec. 1693o–1(g)(2)(A). In general, the term "electronic fund transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, or computer or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. 41 U.S.C. sec. 1693a(7).

[1595] 15 U.S.C. sec. 1693o–1(g)(2)(B).

[1596] 15 U.S.C. sec. 1693o–1(g)(3).

[1597] 15 U.S.C. sec. 1693o–1(g)(4). The regulations further state that a "sender" means a consumer in a State who primarily for personal, family, or household purposes requests a remittance transfer provider to send a remittance transfer to a designated recipient. 12 CFR sec. 1005.30(g).

[1598] 15 U.S.C. sec. 1693o–1(g)(1).

REASONS FOR CHANGE

The Committee believes that the ability of non-citizens and non-nationals of the United States to send payments to individuals in other countries through the system of remittance transfers may encourage illegal immigration and lead to the overreliance of some jurisdictions on the receipt of such remittance flows.

EXPLANATION OF PROVISION

Under the provision, a five-percent excise tax is generally imposed on any remittance transfer, to be paid by the sender with respect to such transfer. If the sender does not make the excise tax payment at the time of the remittance transfer, and to the extent that such tax is not collected from the sender, the tax is owed by the remittance transfer provider. The excise tax is collected by the remittance transfer provider and remitted to the Secretary of the Treasury (the "Secretary"). For purposes of the provision, the terms "remittance transfer," "remittance transfer provider," "designated recipient," and "sender" have the same meanings as such terms are used in section 1693o–1 of Title 15 of the United States Code.

The provision provides an exception from the excise tax for remittance transfers sent by citizens and nationals of the United States. The excise tax on a remittance transfer does not apply if a "verified United States sender" makes such remittance transfer through a "qualified remittance transfer provider." A "qualified remittance transfer provider" is any remittance transfer provider which enters into a written agreement with the Secretary pursuant to which such provider agrees to verify the status of a sender as a citizen or national of the United States. A "verified United States sender" is any sender who is verified by a qualified remittance transfer provider as being a citizen or national of the United States pursuant to such an agreement. The provision applies the anti-conduit rules of section 7701(1) to remittance transfers.[1599]

For senders that incur and pay the excise tax (as a result of, for instance, not sending a remittance transfer via a qualified remittance transfer provider), the provision allows for a refundable income tax credit in the amount of the aggregate excise taxes paid by such sender on remittance transfers during the taxable year. In order to claim such credit, a taxpayer must include his or her Social Security number on his or her tax return for the relevant taxable year[1600] and must demonstrate, to the satisfaction of the Secretary, that the excise tax with respect to which the tax credit is determined was paid by him or her and is with respect to a remittance transfer for which he or she provided certification and certain information to the remittance transfer provider.

[1599] Section 7701(1) provides that the Secretary may prescribe regulations recharacterizing any multiple-party financing transaction as a transaction directly among any two or more of such parties where the Secretary determines that such recharacterization is appropriate to prevent avoidance of any tax imposed by Title 26. The provision states that for purposes of section 7701(1) with respect to any multiple-party arrangements involving the sender, a remittance transfer shall be treated as a financing transaction.

[1600] For purposes of the provision, the term "Social Security number" has the same meaning as such term is given in section 24(h)(7), as amended. For a description of these requirements, see the description of *Section 110004, Extension of increased child tax credit and temporary enhancement*. For married individuals, rules similar to the rules of section 32(d) shall apply.

The provision requires that each remittance transfer provider submit a return (at such time as the Secretary may provide) setting forth: (1) in the case of remittance transfers sent by a verified United States sender via a qualified remittance transfer provider, the aggregate number and value of such remittance transfers; (2) in the case of senders who have certified to the remittance transfer provider an intent to claim the credit with respect to the excise tax on a remittance transfer, (a) the name, address, and Social Security number of the senders, (b) the amount of excise tax paid by such senders, and (c) the amount of excise tax remitted by the remittance transfer provider to the Secretary with respect to such remittance transfers; and (3) with respect to all other remittance transfers, (a) the aggregate amount of excise tax paid with respect to such transfers, and (b) the aggregate amount of tax remitted by the remittance transfer provider to the Secretary with respect to such transfers. Such returns shall be considered information returns.

Each person required to make a return shall furnish to each person whose has certified an intent to claim the credit a written statement with: (1) the name and address of the information contact of the required reporting person; and (2) the information provided to the Secretary with respect to such claim. Such returns shall be considered payee statements.

EFFECTIVE DATE

The excise tax is effective for transfers made after December 31, 2025. The tax credit available to senders applies to taxable years ending after December 31, 2025.

SOCIAL SECURITY NUMBER REQUIREMENT FOR AMERICAN OPPORTUNITY AND LIFETIME LEARNING CREDITS (SEC. 112106 OF THE BILL AND SEC. 25A OF THE CODE)

PRESENT LAW

American Opportunity Tax Credit

The American Opportunity Tax Credit is a credit of up to $2,500 per eligible student per year for qualified tuition and related expenses paid for each of the first four years of the student's postsecondary education in a degree or certificate program. The amount of the credit is 100 percent of the first $2,000 of qualified tuition and related expenses, and 25 percent of the next $2,000 of qualified tuition and related expenses.

Qualified tuition and related expenses generally include tuition, fees, and course materials required for enrollment or attendance of the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer at an eligible institution. They do not include student activity fees, other fees and expenses unrelated to an individual's academic course of instruction, or expenses with respect to a course of education involving sports, games, or hobbies that is not part of the individual's degree program. In addition, an eligible student must be carrying at least half the normal work load for the course of study being pursued.

The credit that a taxpayer may otherwise claim is phased out ratably for taxpayers with modified adjusted gross income ("modi-

fied AGI") between $80,000 and $90,000 ($160,000 and $180,000 for married taxpayers filing a joint return).[1601] The credit may be claimed against a taxpayer's alternative minimum tax liability.

Forty percent of a taxpayer's otherwise allowable modified credit is refundable.

Lifetime Learning Credit

The Lifetime Learning Credit is a nonrefundable tax credit against Federal income tax equal to 20 percent of qualified tuition and related expenses[1602] paid by the taxpayer during the taxable year for education furnished during any academic period beginning in that year to the taxpayer, the taxpayer's spouse, or any dependents.[1603] Up to $10,000 of qualified tuition and related expenses per taxpayer return may be taken into account for the Lifetime Learning Credit (with the result that the maximum credit that a taxpayer is allowed is $2,000).

A taxpayer is allowed the Lifetime Learning credit for an unlimited number of taxable years, and the $2,000 maximum amount of the Lifetime Learning Credit allowable to a taxpayer in a year does not vary based on the number of students in the taxpayer's family. The Lifetime Learning Credit amount that is otherwise allowed is phased out ratably for taxpayers with modified AGI between $80,000 and $90,000 ($160,000 and $180,000 for married individuals filing a joint return).

A taxpayer is allowed the Lifetime Learning Credit with respect to a student who is not the taxpayer or the taxpayer's spouse (for example, in a situation in which the student is the taxpayer's child) only if the taxpayer claims the student as a dependent for the taxable year for which the credit is claimed. If a student is claimed as a dependent by a parent or another taxpayer, the student is not allowed the Lifetime Learning Credit for that taxable year on the student's own tax return. If a parent or another taxpayer claims a student as a dependent, any qualified tuition and related expenses paid by the student are treated as paid by the parent (or other taxpayer) for purposes of the provision.

A taxpayer is allowed the Lifetime Learning Credit for a taxable year with respect to one or more students even if the taxpayer also is allowed the American Opportunity Tax Credit for that same taxable year with respect to other students. If, for a taxable year, a taxpayer claims an American Opportunity Tax Credit with respect to a student, the Lifetime Learning credit is not allowed with respect to that same student for that year (although the Lifetime Learning Credit may be allowed with respect to that same student for other taxable years).

[1601] Modified AGI for this purpose (and for the same purpose under the Lifetime Learning Credit, described next) is AGI increased by any amount excluded from gross income under section 911, 931, or 933. Sec. 25A(d)(2).

[1602] Qualified tuition and related expenses for the lifetime learning credit generally include tuition and fees required for enrollment or attendance of the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer at an eligible institution. However, unlike the American opportunity credit, they do not include course materials.

[1603] Sec. 25A. The Lifetime Learning credit may be claimed against a taxpayer's AMT liability.

Identification requirements

A taxpayer (for example, a parent) is allowed the American Opportunity Tax Credit or Lifetime Learning Credit in a taxable year in respect of qualified tuition and related expenses for the education of an individual (for example, for the education of a student who is a dependent child of the taxpayer parent) only if (among other identification requirements) the taxpayer includes on the taxpayer's tax return for that year the taxpayer identification number ("TIN") of that individual.

A taxpayer is allowed the American Opportunity Tax Credit only if the taxpayer includes the employer identification number ("EIN") of any institution to which qualified tuition and related expenses were paid.

REASONS FOR CHANGE

The Committee believes that requiring that taxpayers and students provide Social Security numbers to claim the American Opportunity Tax Credit and Lifetime Learning Credit is important in ensuring that the credits go only to families who are in full compliance with tax and immigration laws.

EXPLANATION OF PROVISION

The provision replaces the present law TIN requirement with a rule that a taxpayer is allowed the American Opportunity Tax Credit or Lifetime Learning Credit in a taxable year only if the taxpayer includes on the tax return for that year (1) the taxpayer's Social Security number, (2) in the case of a joint return, the taxpayer's spouse's Social Security number, and (3) in respect of qualified tuition and related expenses of an individual other than the taxpayer or the taxpayer's spouse (for example, a dependent child of a taxpayer parent), that individual's name and Social Security number.

The provision clarifies that under the present law EIN requirement, the taxpayer is allowed the American Opportunity Tax Credit for a taxable year only if the taxpayer includes on the taxpayer's tax return for that year the EIN of any institution to which the taxpayer paid qualified tuition and related expenses taken into account in computing the credit.

For purposes of this rule, the term "Social Security number" means (under the definition of section 24(h)(7)) a social security number that is issued by the Social Security Administration, before the due date for the tax return, to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act.

The provision provides that a taxpayer's omission of a required correct Social Security number or EIN is a mathematical or clerical error for purposes of section 6213.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

PART 3—PREVENTING FRAUD, WASTE, AND ABUSE

REQUIRING EXCHANGE VERIFICATION OF ELIGIBILITY FOR HEALTH PLAN (SEC. 112201 OF THE BILL AND SEC. 36B OF THE CODE)

PRESENT LAW

In general

A refundable tax credit (the "premium assistance credit" or "premium tax credit") is provided for eligible individuals and families to subsidize the purchase of "qualified health plans," [1604] which are health insurance plans offered through an American Health Benefit Exchange ("Exchange") created by the Patient Protection and Affordable Care Act ("PPACA").[1605] In general, the Secretary makes advance payments with respect to the premium assistance credit during the year directly to the insurer, as discussed below.[1606] However, eligible individuals may instead pay their total health insurance premiums without advance payments and claim the credit for the taxable year on a Federal income tax return.

The premium assistance credit is generally available for individuals (single or joint filers) with household incomes between 100 percent and 400 percent of the Federal poverty level ("FPL") for the applicable family size.[1607] Household income is defined as the sum of (1) the individual's modified adjusted gross income ("AGI"), plus (2) the aggregate modified AGI of all other individuals taken into account in determining the individual's family size (but only if the other individuals are required to file tax returns for the taxable year).[1608] Modified AGI is defined as AGI increased by (1) any amount excluded from gross income for citizens or residents living abroad,[1609] (2) any tax-exempt interest received or accrued during the tax year, and (3) any portion of the individual's Social Security benefits not included in gross income.[1610] To be eligible for the premium assistance credit, individuals who are married generally must file a joint return.[1611] Individuals who are listed as dependents on a return are not eligible for the premium assistance credit.

An individual who is eligible for minimum essential coverage from a source other than the individual insurance market generally is not eligible for the premium assistance credit.[1612] However, an

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[1604] Sec. 36B. Qualified health plans generally must meet certain requirements. Secs. 1301 and 1302 of the Patient Protection and Affordable Care Act, 42 U.S.C. secs. 18021 and 18022.

[1605] Pub. L. No. 111–148, March 23, 2010. The PPACA was modified by the Health Care and Education Reconciliation Act of 2010 ("HCERA"), Pub. L. No. 111–152, Title I, sec. 1001, March 30, 2010. PPACA and HCERA are referred to collectively as the PPACA.

[1606] Sec. 1412 of the PPACA, 42 U.S.C sec. 18082.

[1607] Sec. 36B(c)(1). Federal poverty level refers to the most recently published poverty guidelines determined by the Secretary of Health and Human Services. Levels for 2025 are available at https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines. Levels for previous years are available at https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references.

Currently, under sec. 36B(c)(1)(B), a taxpayer with household income less than 100 percent of FPL who is an alien lawfully present but is ineligible for Medicaid under title XIX of the Social Security Act by reason of such alien status may be treated as an applicable taxpayer with a household income equal to 100 percent of FPL.

[1608] Sec. 36B(d)(2).

[1609] Sec. 911.

[1610] Under section 86, only a portion of an individual's Social Security benefits is included in gross income.

[1611] Sec. 36B(c)(1)(C).

[1612] Sec. 36B(c)(2). Minimum essential coverage is defined in section 5000A(f).

individual who is offered minimum essential coverage under an employer-sponsored health plan may be eligible for the premium assistance credit if (1) the coverage is either unaffordable or does not provide minimum value, and (2) the individual declines the employer-offered coverage.[1613] Thus, an individual who enrolls in an employer-sponsored health plan generally is ineligible for the premium assistance credit even if the coverage is considered unaffordable or does not provide minimum value. Coverage is considered unaffordable if an employee's share of the premium for self-only coverage under the plan exceeds 9.02 percent (for 2025) [1614] of the employee's household income.[1615] Coverage is considered not to provide minimum value if the plan's share of total allowed costs of plan benefits is less than 60 percent of such costs.

Beginning in 2023, Treasury regulations provide that coverage affordability is determined separately for employees and family members of employees. Affordability is determined (1) for the employee, based on the employee's share of the premium for self-only coverage, and (2) for the family members of the employee, based on the employee's share of the premium for covering the employee and those family members (i.e., family coverage).[1616]

Amount of credit

The premium assistance credit amount is generally the lower of (1) the premium for the qualified health plan in which the individual or family enrolls, and (2) the premium for the second lowest cost silver plan in the rating area where the individual resides,[1617] reduced by the individual's or family's share of premiums (the "applicable contribution percentage").[1618] The individual's or family's applicable contribution percentage is indexed so that the individual's or family's share of premiums rises if health coverage premium increases are greater than increases in income across the economy.[1619]

[1613] Sec. 36B(c)(2)(C).

[1614] Rev. Proc. 2024–35, 2024–39 I.R.B. 638.

[1615] Employees and their family members who are provided a qualified small employer health reimbursement arrangement ("QSEHRA") that constitutes affordable coverage are not eligible for the premium assistance credit. Sec. 36B(c)(4)(C). The affordability determination for QSEHRAs is similar to the affordability determination for an employer-sponsored health plan. Specifically, a QSEHRA is treated as constituting affordable coverage for a month if an employee's share of the premium for self-only coverage under the second lowest cost silver plan offered in the relevant individual health insurance market does not exceed 9.02 percent (for 2025) of the employee's household income. A QSEHRA is defined in section 9831(d)(2).

[1616] T.D. 9968, 87 Fed. Reg. 61979, October 13, 2022.

[1617] A "silver plan" refers to the level of coverage provided by the health plan. Sec. 1302(d) of the PPACA, 42 U.S.C. sec. 18022. Most health plans sold through an Exchange are required to meet actuarial value ("AV") standards, among other requirements. AV is a summary measure of a plan's generosity, expressed as a percentage of medical expenses estimated to be paid by the insurer for a standard population and set of allowed charges. Silver-level plans are designed to provide benefits that are actuarially equivalent to 70 percent of the full AV of the benefits provided under the plan. The premium assistance credit looks to the second lowest cost plan of all the silver plans available in the relevant rating area.

An individual's "rating area" refers to the geographical unit within the State where the individual resides. Insurers may vary individual market premiums based on rating areas, among other factors. See sec. 1201 of the PPACA, 42 U.S.C. sec. 300gg.

[1618] Sec. 36B(b). The amount of the premium assistance credit is determined on a monthly basis, and the amount of the credit for a year is the sum of the monthly amounts.

[1619] Sec. 36B(b)(3)(ii). In addition, beginning with calendar year 2019, this indexing incorporates an additional factor under which the applicable contribution percentage is subject to an additional adjustment to account for increases in premium growth over increases in the consumer price index if the aggregate amount of premium tax credits and cost-sharing reductions under section 1402 of the PPACA, 42 U.S.C sec. 18071, for the preceding calendar year exceeds

Table 6 shows an individual's or family's unindexed share of premiums applicable to taxable years prior to 2021.

TABLE 6.—HOUSEHOLD'S SHARE OF PREMIUMS [1620]

[Prior to 2021, unindexed]

Household income (expressed as a percent of FPL)	Initial percentage of household income *	Final percentage of household income
Less than 133%	2.0	2.0
133% up to 150%	3.0	4.0
150% up to 200%	4.0	6.3
200% up to 250%	6.3	8.05
250% up to 300%	8.05	9.5
300% up to 400%	9.5	9.5

*The initial percentage of household income corresponds to the bottom of the corresponding FPL range, and the final percentage of household income corresponds to the top of the corresponding FPL range.

For taxable year beginning in 2021 or 2022, Section 9661 of the American Rescue Plan Act of 2021 ("ARP") [1621] temporarily reduced or eliminated an individual's or family's share of premiums used in determining the amount of the premium assistance credit and eliminated the indexing of these amounts. The premium assistance credit was also made available to taxpayers with incomes above the limitation of 400 percent of FPL for the applicable family size. For taxable years beginning after 2022, section 12001 of the Inflation Reduction Act of 2022 ("IRA") [1622] extends through 2025 the reduction or elimination of an individual's or family's share of premiums used in determining the amount of the premium assistance credit and the elimination of indexing. The provision also extends through 2025 the rule making the premium assistance credit available to taxpayers with incomes above the limitation of 400 percent of FPL for the applicable family size.

Table 7 below shows an individual's or family's share of premiums applicable for 2021 through 2025. The share of premiums is a certain percentage of household income, ranging from 0.0 percent of household income (up to 150 percent of FPL) up to 8.5 percent of household income, determined on a sliding scale in a linear manner.

TABLE 7.—HOUSEHOLD'S SHARE OF PREMIUMS [1623]

[For 2021 through 2025]

Household income (expressed as a percent of FPL)	Initial percentage of household income *	Final percentage of household income
Less than 150%	0.0	0.0
150% up to 200%	0.0	2.0
200% up to 250%	2.0	4.0
250% up to 300%	4.0	6.0
300% up to 400%	6.0	8.5

an amount equal to 0.504 percent of the gross domestic product for the preceding calendar year. Sec. 36B(b)(3)(ii)(II)–(III).

[1620] Sec. 36B(b)(3)(A)(i).

[1621] Pub. L. No. 117–2, March 11, 2021.

[1622] Pub. L. No. 117–169, August 16, 2022.

[1623] Sec. 36B(b)(3)(A)(iii).

TABLE 7.—HOUSEHOLD'S SHARE OF PREMIUMS [1623]—Continued

[For 2021 through 2025]

Household income (expressed as a percent of FPL)	Initial percentage of household income *	Final percentage of household income
400% and higher	8.5	8.5

*The initial percentage of household income corresponds to the bottom of the corresponding FPL range, and the final percentage of household income corresponds to the top of the corresponding FPL range.

Advance payments of the premium assistance credit

As part of the process of enrollment in a qualified health plan through an Exchange, an individual may apply and be approved for advance payments with respect to a premium assistance credit ("advance payments").[1624] The individual must provide information on income, family size, changes in marital or family status or income, and citizenship or lawful presence status.[1625] Eligibility for advance payments is generally based on the individual's income for the taxable year ending two years prior to the enrollment period. The Exchange process is administered by the Department of Health and Human Services ("HHS") through the Centers for Medicare and Medicaid Services ("CMS") and includes a system through which information provided by the individual is verified using information from the Internal Revenue Service ("IRS") and certain other sources.[1626] If an individual is approved for advance payments, the Secretary pays the advance amounts on a monthly basis directly to the issuer of the health plan in which the individual is enrolled. The individual then pays to the issuer of the plan the difference between the advance payment amount and the total premium charged for the plan.

An individual on whose behalf advance payments of the premium assistance credit for a taxable year are made is required to file an income tax return to reconcile the advance payments with the premium assistance credit that the individual is allowed for the taxable year.[1627]

[1624] Secs. 1411 and 1412 of the PPACA, 42 U.S.C. secs. 18081 and 18082. Under section 1402 of the PPACA, 42 U.S.C sec. 18071, certain individuals eligible for advance premium assistance payments also are eligible for a reduction in their share of medical costs, such as deductibles and copays, under the plan, referred to as reduced cost-sharing. Eligibility for reduced cost-sharing is also determined as part of the Exchange enrollment process. HHS is responsible for rules relating to Exchanges and the eligibility determination process.

[1625] Under section 1312(f)(3) of the PPACA, 42 U.S.C. sec. 18032(f)(3), an individual may not enroll in a qualified health plan through an Exchange if the individual is not a citizen or national of the United States or an alien lawfully present in the United States. Thus, such an individual is not eligible for the premium assistance credit.

[1626] Under section 6103, returns and return information are confidential and may not be disclosed, except as authorized by the Code, by IRS employees, other Federal employees, State employees, and certain others having access to such information. Under section 6103(l)(21), upon written request of the Secretary of HHS, the IRS is permitted to disclose certain return information for use in determining an individual's eligibility for advance premium assistance payments, reduced cost-sharing, or certain other State health subsidy programs, including a State Medicaid program under title XIX of the Social Security Act, 42 U.S.C. secs. 1396w–1 through 1396w–5, a State's Children's Health Insurance Program under title XXI of the Social Security Act, 42 U.S.C. secs. 1397aa through 1397mm, and a Basic Health Program under section 1331 of the PPACA, 42 U.S.C. sec. 18051.

[1627] Treas. Reg. sec. 1.6011–8. Under section 36B(f)(3), an Exchange is required to report to the IRS and to the individual the months during a year for which the individual was covered by a qualified health plan purchased through the Exchange; the level of coverage; the name, address, and TIN of the primary insured and each individual covered by the policy; the total premiums paid by the individual; and, if applicable, advance premium assistance payments made on behalf of the individual. This information is reported on Form 1095–A.

If the advance payments of the premium assistance credit exceed the amount of credit that the individual is allowed, the excess ("excess advance payments") is treated as an additional tax liability on the individual's income tax return for the taxable year (is "recaptured"), subject to a limit on the amount of additional liability in some cases.[1628] For an individual with household income below 400 percent of FPL, recapture for a taxable year generally is limited to a specific dollar amount (the "applicable dollar amount") as shown in Table 8 below.

TABLE 8.—RECAPTURE LIMITS [1629]

[For 2025]

Household Income (expressed as a percent of FPL)	Applicable dollar amount (filing status of Single)	Applicable dollar amount (any other filing status)
Less than 200%	$375	$750
At least 200% but less than 300%	975	1,950
At least 300% but less than 400%	1,625	3,250

If the advance payments of the premium assistance credit for a taxable year are less than the amount of the credit that the individual is allowed, the additional credit amount is allowed as a refundable credit when the individual files an income tax return for the year.

Enrolling in a qualified health plan on an Exchange

An individual may not enroll in a qualified health plan through an Exchange if the individual is not a citizen or national of the United States or an alien lawfully present in the United States, or is incarcerated.[1630] As part of the process of enrollment in a qualified health plan through an Exchange, an individual may apply and be approved for advance payments of the premium assistance credit.[1631] Eligibility for advance payments of the premium assistance credit is generally based on the individual's income for the taxable year ending two years prior to the enrollment period.

HHS administers the Exchange process and facilitates a system through which information provided by the individual is verified using information from the IRS and other sources. The individual must provide information on income, residence, family size, changes in marital or family status or income, and citizenship or lawful presence status. The Exchange also seeks to determine whether an individual has minimum essential coverage from another source and whether an individual who has previously claimed advance payment of the premium tax credit has failed to file a tax

[1628] Sec. 36B(f)(2). For a taxable year beginning in 2020, ARP temporarily removed the requirement that excess advance payments are treated as an additional tax liability on the individual's income tax return for the taxable year. Accordingly, for 2020, no excess advance payment was subject to recapture. Sec. 36B(f)(2)(B)(iii).

[1629] Rev. Proc. 2024–40, 2024–45 I.R.B. 1100. The applicable dollar amounts are indexed to reflect cost-of-living increases, with the amount of any increase rounded down to the next lowest multiple of $50.

[1630] Sec. 1312(f)(1) and (3) of the PPACA, 42 U.S.C. sec. 18032(f)(1) and (3).

[1631] Secs. 1411 and 1412 of the PPACA, 42 U.S.C. secs. 18081 and 18082. Under section 1402 of the PPACA, 42 U.S.C sec. 18071, certain individuals eligible for advance premium assistance payments also are eligible for a reduction in their share of medical costs, such as deductibles and copays, under the plan, referred to as reduced cost-sharing or cost-sharing reductions. HHS is responsible for rules relating to eligibility for this assistance, and eligibility for reduced cost-sharing is also determined as part of the Exchange enrollment process.

return and reconcile advance payments with premium tax credits for that year.[1632] Exchanges are generally required to provide applicants 90 days to address discrepancies,[1633] during which time applicants are eligible to enroll in qualified health plans and benefit from advance payment of the premium tax credit. Under certain circumstances, Exchanges may re-enroll current enrollees in qualified health plans without any action being taken by the enrollee ("passive reenrollment").[1634]

Finally, Exchanges also verify eligibility for special enrollment periods.[1635] HHS has applied different standards for pre-enrollment verification for special enrollment periods over time.[1636] Currently, the Federal Exchange operated by HHS conducts pre-enrollment verification related to only the special enrollment period related to the loss of health coverage.[1637]

REASONS FOR CHANGE

The Committee believes that fraud in applications for advance payment of the premium tax credit is a serious problem, and also believes that Executive Branch policies that have allowed individuals to benefit from advance payment of the premium tax credit even before their eligibility has been verified have exacerbated this problem. The Committee therefore believes it is appropriate to protect taxpayers by requiring Exchanges to fully verify individuals' eligibility for enrollment and advance payment of the premium tax credit before Federal funds are released.

Because this policy may make it more difficult for applicants to benefit from advance payments of the premium tax credit immediately upon applying to enroll in coverage, the Committee also believes that a taxpayer should be permitted to benefit from the premium tax credit if his or her eligibility, related back to the date of intended enrollment, is verified after the start date of his or her coverage. Finally, because the Committee believes that taxpayers may need more time to establish eligibility, the Committee is requiring Exchanges to allow potential applicants to verify their eligibility in advance of annual open enrollment as a condition of releasing the premium tax credit.

EXPLANATION OF PROVISION

The provision provides that the premium assistance credit (and thus advance payment) is unavailable for months of coverage under a qualified health plan for which an individual's (1) eligibility for enrollment (including new open enrollments, each annual re-enrollment, and enrollment through a special enrollment period), (2) any

[1632] 45 C.F.R. sec. 155.305(f)(4).
[1633] Sec. 1411(e)(3), (4) of the PPACA.
[1634] See CMS, Guidance on Annual Redetermination and Re-enrollment for Marketplace Coverage for 2024 and Later Years, August 14, 2023, available at https://www.cms.gov/files/document/guidance-annual-redetermination-and-re-enrollment-marketplace-coverage-2024-and-later-years.pdf.
[1635] See 45 C.F.R. sec 155.420(g).
[1636] See Patient Protection and Affordable Care Act; Market Stabilization, Final Rule, 82 Fed. Reg. 18346, April 18, 2017; Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2023, Final Rule, 87 Fed. Reg. 27208, May 6, 2022; Patient Protection and Affordable Care Act; Marketplace Integrity and Affordability, Proposed Rule, 90 Fed. Reg. 12942, March 19, 2025.
[1637] 45 C.F.R. sec. 155.420(g).

advance payment of the premium tax credit (if the individual has applied for advance payment),[1638] or (3) any cost-sharing reductions has not been verified by the Exchange, including during the required 90-day period during which an applicant may address any discrepancies in his or her application. Therefore, the provision prohibits passive reenrollment.

In order to accomplish this verification, the Exchange must use applicable enrollment information that is provided or verified by the applicant. The Exchange is not permitted to rely on information provided entirely by other sources. For purposes of this provision, applicable enrollment information must at least include an affirmation from the applicant, to the extent relevant to the individual's application, regarding: (1) income; (3) any immigration status; (4) any health coverage status; (5) place of residence; (6) family size; and (7) any other information the Secretary (in consultation with the Secretary of HHS) determines as necessary to verify the individual's eligibility.

The provision also provides, that, in the case of a month of coverage that begins before verification has been completed, such month is treated as a coverage month for purposes of the premium tax credit (and therefore for advance payment of the premium tax credit, if advance payment is made available), if the Exchange later completes verification for that month using applicable enrollment information provided by the applicant.[1639]

Additionally, the provision provides that no month of coverage qualifies as a coverage month for purposes of the premium tax credit if the Exchange is not verifying that applicants have reconciled advance payments of the premium tax credit with the premium assistance credit that the same individual was allowed for a taxable year, if applicable, pursuant to regulations proposed by CMS in 2025,[1640] effectively codifying these proposed regulations for purposes of premium tax credit eligibility.

Finally, in order for individuals to be eligible for the premium assistance credit, the provision requires Exchanges to establish a pre-enrollment verification process for individuals enrolled through the Exchange. The pre-enrollment verification process must allow individuals to verify with the Exchange their eligibility for enrollment, advance payment, or reduced cost-sharing for the subsequent plan year starting on August 1 of the immediately preceding year.

The provision provides that the Secretary of the Treasury and the Secretary of HHS may prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this provision.

[1638] If the individual has not applied for or been determined eligible for advance payment, the individual remains eligible to file a claim for the premium tax credit at the time the individual files an income tax return for the relevant year. Assuming an individual's eligibility is otherwise verified, a month of coverage fails to be a coverage month for purposes of the premium tax credit only if the individual benefits from advance payment before eligibility for advance payment is verified by the Exchange.

[1639] HHS has provided for enrollment to be "pended" for periods during which eligibility remains unverified. See 82 Fed. Reg. 18346; CMS, *Special Enrollment Period Pre-Enrollment Verification (SEPV): Review* (December 2017), available at https://www.cms.gov/marketplace/technical-assistance-resources/sepv-review.pdf.

[1640] Patient Protection and Affordable Care Act; Marketplace Integrity and Affordability, Proposed Rule, 90 Fed. Reg. 12942, amending 45 C.F.R. sec. 155.305(f)(4).

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2027.

DISALLOWING PREMIUM TAX CREDIT IN CASE OF CERTAIN COVERAGE ENROLLED IN DURING SPECIAL ENROLLMENT PERIOD (SEC. 112202 OF THE BILL AND SEC. 36B OF THE CODE)

PRESENT LAW

Enrollment in a qualified health plan and special enrollment periods

For a general description of the premium tax credit and the Exchanges, see Section A of this Part.

Generally, an individual may enroll in a qualified health plan through an Exchange during the annual open enrollment period.[1641] An Exchange also must provide for special enrollment periods during which an individual may enroll in a qualified health plan or change enrollment in a qualified health plan if the individual experiences certain life events, including losing health coverage, getting married, or having a baby.[1642]

In 2021, HHS announced the creation of a monthly special enrollment period for individuals with projected annual household income no greater than 150 percent of FPL.[1643] The special enrollment period is available at the option of the Exchange. Because of the temporary reduction or elimination of an individual's or family's share of premiums through 2025, all individuals eligible for this special enrollment period currently are able to enroll in plans for which their share of the monthly premium is zero.[1644]

REASONS FOR CHANGE

The Committee is of the view that the monthly special enrollment period created by HHS in 2021 has encouraged fraud and adverse selection on the Exchanges. The Committee therefore wishes to make the removal of this SEP a condition of releasing the premium tax credit and intends for HHS to implement this policy change as of the earliest administratively feasible date.

EXPLANATION OF PROVISION

The provision provides that any plan for which an individual enrolled through a special enrollment period provided on the basis of (1) expected income as a percentage of the poverty line (or such other amount) as specified by the Secretary of HHS; and (2) not provided in connection with the occurrence of an event or change

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[1641] Sec. 1311 of the PPACA, 42 U.S.C. 13031.

[1642] 45 C.F.R. sec. 155.420.

[1643] Patient Protection and Affordable Care Act; Updating Payment Parameters, Section 1332 Waiver Implementing Regulations, and Improving Health Insurance Markets for 2022 and Beyond, Final Rule, 86 Fed. Reg. 53412, September 27, 2021; 45 C.F.R. 155.420(d)(16).

[1644] Originally, the special enrollment period was available only during periods when the individual's applicable percentage for purposes of calculating the premium assistance amount, as defined in section 36B(b)(3)(A), was set at zero, but HHS amended the regulation in 2024 to eliminate this requirement. Patient Protection and Affordable Care Act, HHS Notice of Benefit and Payment Parameters for 2025; Updating Section 1332 Waiver Public Notice Procedures; Medicaid; Consumer Operated and Oriented Plan (CO–OP) Program; and Basic Health Program, Final Rule, 89 Fed. Reg. 26218, April 15, 2024.

in circumstances specified by the Secretary of HHS, is not plan for which premium assistance is available.

Thus, the provision makes the premium assistance credit (and advance payment of the premium assistance credit) unavailable related to the specific plan through which an individual has enrolled using the monthly special enrollment period available for individuals with projected annual household income no greater than 150 percent of FPL.[1645] The provision affects no other special enrollment periods currently specified in HHS regulations.

The provision provides that the Secretaries of the Treasury and HHS may may each prescribe such rules and other guidance as may be necessary or appropriate to carry out this provision, including by proceeding through interim final or temporary regulations.

EFFECTIVE DATE

The provision is effective for plans enrolled in during calendar months beginning after the third calendar month ending after the date of enactment. The provision does not affect plans enrolled in before that date.

ELIMINATING LIMITATION ON RECAPTURE OF ADVANCE PAYMENT OF PREMIUM TAX CREDIT (SEC. 112203 OF THE BILL AND SEC. 36B OF THE CODE)

PRESENT LAW

For a general description of the premium tax credit and the Exchanges, see Section A of this Part.

If an individual's advance payments of the premium assistance credit exceed the amount of credit that the individual is allowed, the excess advance payments is treated as an additional tax liability on the individual's income tax return for the taxable year (is "recaptured"), subject to a limit on the amount of additional liability in some cases.[1646] For an individual with household income below 400 percent of FPL, recapture for a taxable year generally is limited to a specific dollar amount (the "applicable dollar amount") as shown in Table 9 below.

TABLE 9.—RECAPTURE LIMITS [1647]

[For 2025]

Household income (expressed as a percent of FPL)	Applicable dollar amount (filing status of single)	Applicable dollar amount (any other filing status)
Less than 200%	$375	$750
At least 200% but less than 300%	975	1,950
At least 300% but less than 400%	1,625	3,250

[1645] The provision does not affect other individuals who enroll in any particular plan through an Exchange, only those individuals that enroll through the specified special enrollment period.

[1646] Sec. 36B(f)(2). For a taxable year beginning in 2020, ARP temporarily removed the requirement that excess advance payments are treated as an additional tax liability on the individual's income tax return for the taxable year. Accordingly, for 2020, no excess advance payment was subject to recapture. Sec. 36B(f)(2)(B)(iii).

REASONS FOR CHANGE

Currently, enrollees who significantly misestimate their annual income in applying for advance payment of the premium tax credit may be required to pay back only a small portion of what was overpaid over the course of the year. The Committee is of the view that this policy encourages fraud and negligence in estimates of annual income and fails to protect law-abiding taxpayers. The Committee therefore believes it is reasonable to require enrollees who misestimated their annual income to pay back the full amount of what was overpaid by the Federal government.

EXPLANATION OF PROVISION

The provision provides that, for an individual with household income below 400 percent of FPL, liability for the excess advance payments is no longer limited, so that all excess advance payments are subject to recapture.

The provision provides that the Secretary of the Treasury and the Secretary of HHS may prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this provision.

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 2025.

IMPLEMENTING ARTIFICIAL INTELLIGENCE TOOLS FOR PURPOSES OF REDUCING AND RECOUPING IMPROPER PAYMENTS UNDER MEDICARE (SEC. 112204 OF THE BILL)

PRESENT LAW

Not applicable.

REASONS FOR CHANGE

Identified Medicare improper payments comprise roughly $50 billion every year. New technologies such as artificial intelligence (AI) can assist in identifying and reducing Medicare improper payments and improve programmatic integrity.

EXPLANATION OF PROVISION

The provision provides $25 million for the Secretary of Health and Human Services to contract with AI contractors and data scientists to identify Medicare improper payments and recoup overpayments. Additionally, the Secretary is required to report to Congress on progress on decreasing the number of Medicare improper payments.

EFFECTIVE DATE

The provision is effective upon the date of enactment.

[1647] Rev. Proc. 2024–40, 2024–45 I.R.B. 1100. The applicable dollar amounts are indexed to reflect cost-of-living increases, with the amount of any increase rounded down to the next lowest multiple of $50.

ENFORCEMENT PROVISIONS WITH RESPECT TO COVID-RELATED EMPLOYEE RETENTION CREDITS (SEC. 112205 OF THE BILL, SEC. 2301 OF THE CARES ACT,[1648] AND SECS. 3134, 6501, 6695, AND 6701 OF THE CODE)

PRESENT LAW

An eligible employer was entitled to claim a refundable employee retention tax credit ("ERTC") against applicable employment taxes for the second, third and fourth calendar quarters in 2020 and the first, second and third quarters of 2021 in an amount equal to a percentage of the qualified wages with respect to each employee of such employer for such calendar quarter. The percentage is 50 percent of qualified wages paid after March 12, 2020, and before January 1, 2021, and 70 percent of qualified wages for calendar quarters beginning after December 31, 2020, and before October 1, 2022, subject to a maximum amount of wages per employee. Although originally enacted in 2020, the credit was further modified by subsequent legislation enacted in 2020, 2021, and 2022, including the retroactive termination of the credit for wages paid on or after October 1, 2021, other than in the case of a recovery startup business.[1649]

If for any calendar quarter the amount of the credit exceeds the applicable employment taxes imposed on the eligible employer, reduced by certain other credits, the excess is treated as a refundable overpayment. Claiming the ERTC on an employment tax return as originally filed can either reduce the eligible employer's employment tax due, or if it exceeds the amount of such tax, give rise to a refund. An eligible employer may claim the employee retention credit on an amended employment tax return (Form 941–X) if the employer did not claim (or seeks to correct) the credit on its original employment tax return.

An employment tax return filed by April 15 for any quarter ending within a calendar year preceding April 15 is considered filed as of April 15, regardless of the quarter to which the return relates.[1650] To claim a refund with respect to a quarter within tax year 2020, an amended employment tax return was due by April 15, 2024; for tax year 2021, an amended return was due by April 15, 2025. Under the American Rescue Plan Act ("ARPA"), the statute of limitations for assessment of any amount attributable to an ERTC is extended from three years to five years for calendar quarters beginning after June 30, 2021, and before January 1, 2022.[1651]

[1648] Coronavirus Aid, Relief, and Economic Security (CARES) Act sec. 2301 (Pub. L. No. 116–136).

[1649] The amount of qualified wages per employee that may be taken into account in calculating the credit is increased from $10,000 per employee for all calendar quarters beginning in 2020 to $10,000 per employee per calendar quarter for calendar quarters beginning after December 31, 2020. See Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116–136, sec. 2301; Taxpayer Certainty and Disaster Relief Act of 2020, Pub. L. No. 116–260, secs. 206 and 207; American Rescue Plan Act ("ARPA"), Pub. L. No. 117–2, secs. 9651 (codifying the credit in Code sec. 3134) and 80604; and Infrastructure and Jobs Act, Pub. L. No. 117–58. sec. 80604 (retroactively terminating the credit for the fourth quarter of 2021 except in the case of recovery start-up businesses).

[1650] Sec. 6501(b)(2).

[1651] See sec 3134(l), which provides that, notwithstanding section 6501, the limitation on the time period for the assessment of any amount attributable to the ERTC shall not expire before the date that is 5 years after the later of—"(1) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed, or "(2) the

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Since observing a significant increase in the numbers and amounts of ERTC claims in mid-2023, the IRS has taken steps to closely review such claims, published guidance for determining one's eligibility and how to amend or withdraw claims.[1652] Those measures included a voluntary disclosure program for ineligible taxpayers that had claimed and received the credit and seek to pay back the credit, under which a taxpayer would be required to pay 80 percent of the credit received and disclose information about the advisers that led the taxpayer to make the original claim, which has since ended.[1653]

Potential penalties

Present law includes obligatory disclosure by certain promoters of tax shelters or abusive transactions and imposes assessable penalties on persons who fail to comply with such due diligence and disclosure requirements.[1654] One such penalty is based on aiding and abetting the understatement of tax liability, if the person knows that an understatement of the tax liability of another person would result.[1655] Other promoter penalties are related to failure to disclose particular information with respect to a reportable transaction (generally, a transaction that the Treasury Secretary determines has the potential for tax avoidance or evasion), and require material advisors of reportable transactions to keep lists of advisees, subject to a penalty for failure.[1656]

To deter taxpayers who may take aggressive positions on refund claims, a separate penalty is imposed equal to 20 percent of the amount by which the claimed income tax refund exceeds the amount due under the Code. This penalty is not applicable to excessive refund claims for employment taxes. The penalty may apply to excessive income tax refund claims if a taxpayer presents an entirely new theory late in the audit, or as a result of a marketed tax strategy such as the abusive transactions that lead to the shelter penalties, even if the refund claim is denied. Although reasonable cause may result in a waiver of the penalty, any transaction that lacks economic substance is deemed to be without reasonable cause.[1657] There is an anti-stacking rule, i.e., if a portion of the excessive refund is subject to another penalty or addition to tax, only one of the two penalties may apply to that amount.

Paid tax return preparers are currently subject to a penalty of $500 for each failure to comply with due diligence requirements re-

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date on which such return is treated as filed under section 6501(b)(2)." A similar waiver of the limitations period is provided for the paid sick leave credit. Sec. 3131(f)(6).

[1652] See, https://www.irs.gov/coronavirus/employee-retention-credit.

[1653] See IRS Announcement 2024–3, https://www.irs.gov/pub/irs-drop/a-24-03.pdf.

[1654] See sections 6111 and 6112 and the regulations thereunder with respect to reporting requirements.

[1655] Sec. 6701. See also IRM, 20.1.6.14.1 (10–13–2021), Activities Subject to the Penalty, October 13, 2021. "A tax advisor would not be subject to this penalty for suggesting to a client an aggressive but supportable filing position even though that position was later rejected by the courts and even though the client was subjected to the substantial understatement penalty. However, if the advisor suggested a position which the advisor knew could not be supported on any reasonable basis under the law, the penalty would apply."

[1656] See secs. 6700 through 6708 for promoter penalties for failure to comply with the reporting obligations. Sec. 6671 provides rules for application of assessable penalties, including that assessable penalties are payable on notice and demand (sec. 6671(a)).

[1657] Sec. 6676.

lating to the filing status and amount of certain credits with respect to a taxpayer's return or claim for refund.[1658]

REASONS FOR CHANGE

A significant increase in ERTC claims has raised concerns about fraud and about wasteful governmental payments or credits, as well as concerns that claimants are being misled by promoters. Not only can taxpayers become victims of promoters, and face unjust tax penalties in some cases, but the IRS has become so overburdened with thousands of such claims and has struggled to process valid claims. The cost of improperly and erroneously claimed ERTC refunds or credits is a burden to the fisc and other taxpayers with valid claims. Determining whether each claimed refund or credit is erroneously or fraudulently claimed and recovering any erroneously paid refunds or erroneously allowed tax credits has proved to be a costly and lengthy process.

Allowing erroneous ERTC refunds or credits claimed, paid, or allowed to increase unchecked would be wasteful and inefficient. The Committee believes that barring payments for ERTC refunds claimed after January 31, 2024, serves to limit waste, fraud, and abuse in the tax system. In addition, the Committee believes that an increased penalty on promoters for aiding and abetting understatements of tax liability, a new penalty on promoters for failure to comply with due diligence requirements, and a penalty on promoters for failure to disclose information and maintain client lists are warranted. Finally, the Committee believes extending the statute of limitations for resolving such cases is necessary to ensure adequate time to address potentially erroneous and fraudulent claims.

EXPLANATION OF PROVISION

The provision adds a concept of ERTC promoter to expand the scope of existing penalties to address conduct taking place since enactment of ERTC to the present, as well as prospective conduct. The provision bars allowance of refunds claimed after January 31, 2024. It also coordinates and extends limitations periods for certain corrective action by the IRS. In addition, regulatory authority is provided.

Definition of ERTC promoter and related penalties

An ERTC promoter is any person that provides aid, assistance, or advice with respect to an affidavit, refund, claim or other document relating to an ERTC [1659] or to eligibility or to the calculation of the amount of the credit, if the person meets certain materiality or gross receipts tests. For purposes of present-law disclosure and other requirements as well as penalties relating to reportable and listed transactions,[1660] an employee retention tax credit (whether or not the taxpayer claims the credit) is treated as a listed transaction as well as a reportable transaction with respect to an ERTC promoter that provides any aid, assistance or advice with respect

[1658] Sec. 6695(g). This is treated as an assessable penalty.

[1659] References in the provision to the ERTC include the ERTC (under both section 3134 of the Code and section 2301 of the CARES Act).

[1660] Secs. 6111, 6112, 6707, and 6708.

to the credit, and the ERTC promoter is treated as a material advisor. As a result, ERTC promoters are subject to certain assessable promoter penalties, including enhanced penalties in certain cases.[1661]

ERTC promoter tests

Under the materiality standard, a person is treated as an ERTC promoter if the person charges or receives a fee which is based on the amount of the refund or credit only if the aggregate gross receipts of such person for aid, assistance, and advice with respect to the person's taxable year in which the person provided the assistance or the preceding taxable year with respect to all ERTC documents[1662] exceeds 20 percent of such person's gross receipts for such taxable year.

The gross receipts test is met if either (1) the aggregate gross receipts for the relevant year from such aid, assistance, and advice exceeds half of the person's gross receipts for the relevant year, or (2) both (i) the aggregate gross receipts for the relevant year from such aid exceeds 20 percent of the person's gross receipts for the relevant year and (ii) the person's aggregate gross receipts[1663] from such aid exceeds $500,000. An ERTC promoter does not include a certified professional employer organization (PEO).

Promoter penalties applicable to an ERTC promoter

In addition to adding a definition of ERTC promoter, the provision increases the potential penalty under section 6701 to the greater of $200,000 ($10,000 in the case of an ERTC promoter that is a natural person) or 75 percent of the gross income of the ERTC promoter from providing aid, assistance, or advice with respect to a return or claim for ERTC refund or a document relating to the return or claim. The expanded penalty under section 6701 is retroactive to apply to actions taken since the ERTC was enacted.

The provision also specifies that an ERTC promoter must comply with due diligence requirements[1664] with respect to a taxpayer's eligibility for (or the amount of) an employee retention tax credit and imposes a $1,000 penalty for each failure to comply. This amount is treated as an assessable penalty. In addition, if the ERTC promoter does not comply with these due diligence requirements, the provision treats the "knows or has reason to know" standard as satisfied for purposes of imposing the penalty for aiding and abetting understatement of a tax liability after the date of enactment.

The standards for determining applicability of the promoter penalties are not to be construed to create any inference with respect

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[1661] E.g., the penalty for aiding or abetting an understatement of tax liability in section 6701. Assessable penalties are payable on notice and demand, and not subject to the restrictions on assessment found in section 6213(a). Sec. 6671(a).

[1662] An ERTC document is any return, affidavit, claim, or other document related to the ERTC, including any document related to eligibility for, or the calculation or determination of any amount directly related to the ERTC.

[1663] For purposes of determining aggregate gross receipts, an aggregation rule provides that all persons treated as a single employer under section 52(a) or (b) are treated as one person. A rule for short taxable years applies.

[1664] The due diligence requirements for ERTC promoters are required to be similar to the due diligence requirements of section 6695(g), and apply with respect to documents that constitute, or relate to, a return or claim for refund.

to any aid, assistance, or advice provided by any ERTC promoter on or before the date of the enactment of the Act (or with respect to any other aid, assistance, or advice to which the provision does not apply). Similarly, the requirement to file disclosures or maintain such lists shall not be construed to create any inference with respect to whether an ERTC is (absent the rule of this provision that treats it as such) treated as a reportable or listed transaction with respect to an ERTC promoter.

Under a transition rule, the requirement for an ERTC promoter to file disclosures or maintain lists with respect to aid, assistance, or advice provided before the date of enactment does not require filing before 90 days after the date of enactment. However, if a party would be required to maintain such lists and reporting without regard to this provision, the return or list is not treated as required (with respect to such aid, assistance, or advice) by reason of this provision.

Denial of refund claims not filed on or before January 31, 2024

No credit or refund of the ERTC is allowed after date of enactment unless such claim for such refund or credit was filed on or before January 31, 2024. To the extent that such claims were later amended to reduce otherwise excessive claims, or otherwise perfected, the amended claim is considered to be part of the timely submitted original claim.

Statute of limitations extension

The provision extends the statute of limitations on assessment for the ERTC to six years after the latest of: (1) the date on which the original return for the relevant calendar quarter is filed, (2) the date on which the return is treated as filed under present-law statute of limitations rules,[1665] or (3) the date on which the claim for credit or refund with respect to the ERTC is made.

EFFECTIVE DATE

The provisions described above are generally effective as of date of enactment, except as follows:

The proposed penalty changes are generally effective for aid, assistance, or advice provided after March 12, 2020.

The provision requiring verification and due diligence is effective for aid, assistance, or advice provided after the date of enactment.

No credit or refund of the ERTC is permitted after date of enactment except with respect to claims for such credit submitted on or before January 31, 2024.

The extension of the statute of limitations on assessment is effective for assessments made after the date of enactment.

[1665] Sec. 6501.

EARNED INCOME TAX CREDIT REFORMS (SEC. 112206 OF THE BILL AND SECS. 32 AND NEW SECS. 6720D AND 7531 OF THE CODE)

PRESENT LAW

Earned income tax credit

Low- and moderate-income workers may be eligible for the refundable earned income tax credit ("EITC"). The amount of the EITC is based on the presence and number of qualifying children in the worker's family, filing status, AGI, and earned income.[1666]

The EITC generally equals a specified percentage of earned income.[1667] Earned income for this purpose cannot exceed a maximum dollar amount, known as the earned income amount. The maximum EITC amount applies over a certain income range and then diminishes to zero over a specified phaseout range. For a taxpayer with earned income (or AGI, if greater) in excess of the beginning of the phaseout range, the maximum EITC amount is reduced by the phaseout percentage multiplied by the amount of earned income (or AGI, if greater) in excess of the beginning of the phaseout range. For a taxpayer with earned income (or AGI, if greater) in excess of the end of the phaseout range, no credit is allowed. The specified percentage, maximum dollar amount, and phaseout percentage and range vary with filing status and number of children. Four separate percentage schedules apply: one for taxpayers with no qualifying children, one for taxpayers with one qualifying child, one for taxpayers with two qualifying children, and one for taxpayers with three or more qualifying children.[1668]

Table 10 below shows amounts of the EITC and determinants of those amounts by number of qualifying children for joint filers and other individuals for 2025.

Table 10.—2025 EITC Schedule[1669]

	Credit percentage	Earned income amount	Maximum credit	Phaseout range (single, head of household)	Phaseout range (joint filers)	Phaseout percentage
No qualifying children	7.65	$8,490	$649	$10,620–$19,104	$17,730–$26,214	7.65
1 qualifying child	34.0	12,730	4,328	$23,350–$50,434	$30,470–$57,554	15.98
2 qualifying children	40.0	17,880	7,152	$23,350–$57,310	$30,470–$64,430	21.06
3 or more qualifying children	45.0	17,880	8,046	$23,350–$61,555	$30,470–$68,675	21.06

For an individual to be a qualifying child for purposes of the EITC, generally that individual must meet the relationship, age, and residency tests under section 152.[1670]

No credit is allowed for a taxpayer with an aggregate amount of certain investment income that exceeds a threshold amount (this amount is $11,950 for 2025).[1671]

[1666] Sec. 32.

[1667] Sec. 32(a), (b). Earned income is generally the sum of wages, salaries, tips, and other taxable employee compensation plus net self-employment earnings. Sec. 32(c)(2).

[1668] Sec. 32(b). All income thresholds are indexed for inflation annually.

[1669] Rev. Proc. 2024–40, 2024–45 I.R.B. 1100, November 4, 2024.

[1670] Sec. 32(c)(3)(A). See section 152(c)(1) for the definition of qualifying child. For purposes of the EITC the support test in section 152(c)(1)(D) is disregarded. The residency test in section 152(c)(1)(B) is satisfied only if the principal place of abode is in the United States.

[1671] Sec. 32(i).

The EITC may be claimed by a taxpayer if the taxpayer is a U.S. citizen or a resident alien.[1672] An individual who is a nonresident alien for any portion of the taxable year is not eligible to claim the EITC unless an election is in effect for the year under section 6013(g) or (h) (relating to an individual who is married to a citizen or resident of the United States at the end of the year). In addition, individuals who claim the benefits of section 911 (relating to the income exclusion election available to U.S. citizens or resident aliens living abroad) are not eligible to claim the EITC.[1673]

To claim the EITC, the taxpayer must include the taxpayer's valid Social Security number ("SSN") and valid SSN for the qualifying child (and, if married, the spouse's valid SSN) on their tax return.[1674] For these purposes, a valid SSN is an SSN issued to an individual, other than an SSN issued to an individual solely for the purpose of applying for or receiving Federally funded benefits, on or before the due date for filing the return for the year.[1675]

An individual with no qualifying children is allowed the EITC if the individual is aged 25 or older and below age 65, has a principal place of abode in the United States for more than half of the taxable year, and cannot be claimed as a dependent on anyone else's tax return.[1676] For purposes of the principal place of abode requirement, a member of the Armed Forces of the United States stationed outside the United States while serving on extended active duty is treated as having a principal place of abode in the United States.[1677]

General rules regarding assessment and deficiency procedures

The Federal income tax system relies upon self-reporting and assessment. A taxpayer is expected to prepare a report of his or her liability[1678] and submit it to the Internal Revenue Service ("IRS") with any payment due. The Code provides general authority for the IRS to assess all taxes shown on returns, including assessment of tax computed by the taxpayer,[1679] other than certain Federal unemployment tax and estimated income taxes.[1680] The assessment is required to be made by recording the liability in the "office of the Secretary" in a manner determined under regulations.[1681] In addition, the IRS may make supplemental assessments within the limitations period whenever it determines that an assessment was imperfect or incomplete.[1682]

The authority of the IRS to assess additional tax is generally subject to certain restrictions on assessment known as deficiency procedures.[1683] These deficiency procedures generally ensure a taxpayer access to administrative review and a pre-payment judicial forum (*i.e.*, the United States Tax Court) for reviewing disputed ad-

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[1672] Sec. 32(c)(1)(D).
[1673] Sec. 32(c)(1)(C).
[1674] Sec. 32(c)(1)(E), (c)(3)(D), (m).
[1675] Sec. 205(c)(2)(B)(i)(II) (and that portion of sec. 205(c)(2)(B)(i)(III) relating to it) of the Social Security Act.
[1676] Sec. 32(c)(1)(A)(ii).
[1677] Sec. 32(c)(4).
[1678] Secs. 6011 and 6012.
[1679] Sec. 6201.
[1680] Sec. 6201(b).
[1681] Sec. 6203.
[1682] Sec. 6204.
[1683] Secs. 6211 through 6215.

justments proposed by the IRS. A deficiency of tax is the amount by which the liability determined under the Code exceeds the sum of certain taxes [1684] assessed for a period (including amounts shown on a return), after reduction for any rebates of tax.

Math error exception to restrictions on assessments

There are several exceptions to the restrictions on assessment of tax. [1685] One of the principal exceptions is the IRS's authority to make a summary assessment of tax without issuance of a notice of deficiency if the error is a result of a mathematical or clerical error, generally referred to as math error authority. Purely mathematical or clerical issues are often identified early in the processing of a return, prior to issuance of any refund rather than as a result of an examination of a return. Other grounds for math error authority may be identified after initial processing, including in the course of an examination of other issues subject to the general restrictions on assessment.

Definition of math error

The definition of mathematical or clerical errors is not limited to math, clerical, or transcription errors. It addresses over 20 categories of errors,[1686] many of which relate to rules regarding refundable credits, including the earned income tax credit.[1687] Since 2015, the math error authority covers situations for which a taxpayer claiming certain refundable credits either is subject to a multi-year ban against claiming such credits as a consequence of having made a prior fraudulent or reckless claim or, in the case of taxpayer who has made prior improper claims, omits information required by the Secretary to demonstrate eligibility for the credit.[1688] In 2020 and 2021, math error authority was expanded to cover certain errors related to valid taxpayer identification numbers and reconciliation of advance payments with respect to the 2020 recovery rebate credit, 2020 additional recovery rebate credit, and 2021 recovery rebate credit.[1689] In 2022, math error authority was again expanded to apply to errors in documenting energy related credits, including omission of product or vehicle identification numbers.[1690]

Notice of math error assessment and request for abatement

If a mistake on the return is of a type that is within the meaning of mathematical or clerical error, the IRS immediately assesses the

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[1684] The taxes to which deficiency procedures apply are income, estate and gift and excise taxes arising under chapters 41, 42, or 44. Secs. 6211 and 6213.

[1685] Section 6213 provides that a taxpayer may waive the restrictions on assessment, permits immediate assessment to reflect payments of tax remitted to the IRS and to correct amounts credited or applied as a result of claims for carrybacks under section 1341(b), and requires assessment of amounts ordered as criminal restitution. Assessment is also permitted in certain circumstances in which collection of the tax would be in jeopardy. Secs. 6851, 6852, and 6861.

[1686] Sec. 6213(g)(2)(A) through (V).

[1687] Math error authority currently applies to certain errors related to the earned income tax credit, the child tax credit, the American opportunity tax credit, recovery rebate credits, and various energy-related credits.

[1688] Sec. 6213(g)(2)(K), (P), and (Q). Pub. L. No. 114–113, Div. Q, sec. 208.

[1689] Pub. L. No. 116–136, sec. 2201; Pub. L. No. 116–260, Div. N, sec. 272; Pub. L. No. 117–2, title IX, sec. 9601. See also secs. 6213(g)(2)(L); 6428(e)(1), (g)(4); 6428A(e)(1), (g)(7); 6428B(e)(2)(G), (f)(1).

[1690] Secs. 6213(g)(2)(R), (S), (T), (U), and (V). Pub. L. No. 117–169, secs. 13301(g)(2), 13401(i)(4), 13402(c), and 13403(b)(2).

additional tax due as a result of correcting the mistake and sends notice to the taxpayer informing the taxpayer of the assessment. The statute is silent as to the level of detail required in the notice. Math error authority may be used to deny an improperly claimed credit, either during initial processing of a return on which the credit is claimed or in an examination of the return after the refund has been issued, and to assess immediately any additional tax due as a result without issuing a notice of deficiency. The issuance of a notice of math error begins a 60-day period within which the taxpayer may submit a request for abatement of the math error adjustment. If a taxpayer timely submits a request, the statute directs the IRS to abate the assessment and refer the unresolved issue for examination under the deficiency procedures.[1691]

REASONS FOR CHANGE

The Committee believes there is excessive noncompliance with claims of the earned income tax credit, in particular with duplicate claims of qualifying children. In fiscal year 2023 alone, the IRS paid out 150,000 duplicative claims. The Committee believes establishing a certification program will ensure duplicate claims are denied, thereby ensuring the credit is paid only to taxpayers who fully comply with the credit requirements. The Committee believes that an appropriately funded task force can make critical recommendations to improve administration and integrity of the earned income tax credit. The Committee also wishes to provide additional relief to certain Purple Heart recipients to ensure that they do not have to endure financial hardship while transitioning into gainful employment.

EXPLANATION OF PROVISION

Earned income tax credit certification program

The provision creates a new earned income tax credit certification program for taxable years after 2027, with transition rules for taxable years beginning in 2025, 2026, and 2027. The provision requires the Secretary to establish a program under which, on the taxpayer's application with respect to the child, the Secretary is required to issue an EITC certificate to establish, for purposes of section 32, a child's status as a qualifying child only of the taxpayer for a taxable year.

The provision details the application requirements, including the time and manner of application, and how to resolve competing claims. Under the provision, the Secretary is not permitted to issue an EITC certificate unless the taxpayer applies under the program and provides such information and supporting documentation as the Secretary by regulation requires to establish such child as a qualifying child only of the taxpayer for the taxable year. The application and supporting documentation is required in a manner as may be provided by the Secretary (including establishing an on-line portal) and not later than the due date for the tax return for the taxable year or (if later) when the return is filed. In the case of more than one taxpayer making an application with respect to a

[1691] Sec. 6213(b)(2)(A).

child under the program for a taxable year beginning during a calendar year, the Secretary is prohibited from issuing an EITC certification to any such taxpayer with respect to the child for such a taxable year unless the Secretary can establish such child, based on information and supporting documentation provided, as the qualifying child only of one such taxpayer for such a taxable year.

For taxable years beginning after 2027, in the case of a taxpayer who takes into account as a qualifying child under section 32 a child for whom an EITC certificate has not been issued for the taxable year to the taxpayer, the Secretary is not permitted to credit the portion of any overpayment for such taxable year that is attributable to the taxpayer taking into account the child as a qualifying child, unless the taxpayer obtains, not later than the due date for the return for the taxable year, an EITC certificate with respect to such child for such taxable year, and if the taxpayer fails to obtain an EITC certificate, the failure is treated: (i) as an omission of information required by section 32 with respect to the child, and (ii) as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1). Under the provision, a termination of an EITC certificate is treated in the same manner as a failure to obtain an EITC certificate.

The provision provides for transition rules for taxable years beginning before 2028. For any taxable year beginning after December 31, 2023, and before January 1, 2027, if more than one taxpayer makes a claim for the earned income credit under section 32 taking into account the same child as a qualifying child, the Secretary is required to send notice to each taxpayer (by certified or registered mail to the last known address of the taxpayer) detailing the resultant treatment provided under the provision of such taxpayers with respect to the child for subsequent taxable years beginning before 2028.

For taxpayers that make a claim for the earned income credit taking into account the same child as another taxpayer in any taxable year beginning after December 31, 2023, and before January 1, 2027, in subsequent taxable years beginning before January 1, 2028, the Secretary may not credit the portion of any overpayment for the taxable year that is attributable to a taxpayer taking into account the child as a qualifying child under section 32 until the 15th day of October following the end of the taxable year, and if more than one taxpayer makes a claim for such credit for the taxable year taking into account the same child as a qualifying child, taking the same child into account is to be treated (i) as an omission of information required by section 32 with respect to the child, and (ii) as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1). Qualifying child has the meaning given the term under section 32(c)(3).

The treatment in the provision as an omission and as arising out of a mathematical or clerical error may be rebutted by providing information and supporting documentation that satisfactorily demonstrates the child is a qualifying child of the taxpayer for the taxable year.

Under the provision, a taxpayer cannot apply for an EITC certificate under the program for any taxable year in the disallowance period. The disallowance period is (i) the period of 10 taxable years

after the most recent taxable year for which there was a penalty imposed under new section 6720D on the taxpayer (but only if such penalty has been imposed on the taxpayer more than once, at least one instance of which was due to fraud under section 6720D(b)), and (ii) the period of 2 taxable years after the most recent taxable year for which there was a penalty imposed under new section 6720D on the taxpayer (but only if such penalty has been imposed on the taxpayer more than once due to reckless or intentional disregard of rules and regulations (but not imposed due to fraud)), and (iii) any disallowance period with respect to the taxpayer under section 32(k)(1).

The provision provides that the Secretary is required to prescribe rules as may be necessary or appropriate to carry out the program, including (1) a process for establishing alternating taxable year treatment of a child as a qualifying child under a custodial arrangement, (2) a process, notwithstanding the rules applicable for taxable years beginning in 2026 and 2027, for establishing a child as a qualifying child and issuing the full credit to a taxpayer who has established a child as a qualifying child for taxable years to which such rules apply, (3) a simplified process for re-certifying a child as a qualifying child only of the taxpayer for a taxable year, and (4) a process for terminating EITC certificates in the case of competing claims with respect to a child or in cases in which issuance of the certificate is determined by the Secretary to be erroneous.

The provision provides for penalties for improper use of the EITC certificate program. If any person makes a material misstatement or inaccurate representation in an application for an EITC certificate, and such misstatement or representation was due to reckless or intentional disregard of rules and regulations (but not due to fraud), the person is required to pay a penalty of $100 for each EITC certificate with respect to which such misstatement or representation was made. If a misstatement or representation is due to fraud on the part of the person making such misstatement or representation, in addition to any criminal penalty, the person is required to pay a penalty of $500 for each EITC certificate with respect to which such a misstatement or representation was made.

Task force to design a private data bouncing system for improvements to the earned income tax credit

The provision creates a task force to provide the Secretary a report on various items with respect to the administration of the earned income credit. To create this task force, the provision provides for an appropriation of $10,000,000 out of any money not otherwise appropriated for the fiscal year ending on September 30, 2026. The report is required to include: (i) recommendations for improvement of the integrity of the administration of the earned income tax credit, (ii) the potential use of third-party payroll and consumption datasets to verify income, and (iii) the integration of automated databases to allow horizontal verification to reduce improper payments, fraud, and abuse.

Increased earned income tax credit for certain purple heart recipients

The provision increases the credit amount for specified Purple Heart recipients. The credit amount is increased by the sum of Social Security disability insurance ("SSDI") benefit substitution amounts with respect to qualified benefit termination months during the year.

A specified Purple Heart recipient is an individual who received the Purple Heart and disability insurance benefit payments under section 223(a) of the Social Security Act and whose disability insurance payments ceased to be payable by reason of section 223(e)(1) of such Act.

A qualified benefit termination month is each month during the 12-month period that begins with the first month with respect to which insurance disability payments under section 223(a) of the Social Security Act ceased to be payable by reason of section 223(e)(1) of such Act (the "eligibility period"). A qualified benefit termination month does not include any month that the specified Purple Heart recipient receives any benefit payment under section 223(a) of the Social Security Act with respect to such month.

The SSDI benefit substitution amount is an amount equal to the disability insurance benefit payment received by such recipient under section 223(a) of the Social Security Act for the month immediately preceding the eligibility period.

In general, the requirements for the earned income tax credit including being an eligible individual, the general limit on the credit amount, the calculation of credit amount based on earned income, the joint filing requirement for married taxpayers, and the disallowance of the credit for excessive investment income do not apply for the increased credit amount for specified Purple Heart recipients [1692] In other words, the earned income tax credit amount is increased by the appropriate sum of SSDI benefit substitution amounts for specified Purple Heart recipients regardless of whether such taxpayer would qualify for the earned income tax credit under present law.

EFFECTIVE DATES

The provision creating the earned income tax credit certification program, including attendant penalties applies to taxable years beginning after December 31, 2024.

The provision creating the task force to design improvements to the earned income credit is effective on the date of enactment.

The provision creating an increased earned income credit for certain Purple Heart recipients applies to taxable years ending after the date of enactment.

[1692] A specified Purple Heart recipient is eligible even if the recipient is not an eligible individual for purposes of section 32(c)(1). Sections 32(a)(2), (d). (e), (f), and (i) also do not apply in regard to the amount of the increase in the earned income tax credit for specified Purple Heart recipients.

TASK FORCE ON THE TERMINATION OF DIRECT FILE (SEC. 112207 OF THE BILL)

PRESENT LAW

Under The Inflation Reduction Act of 2022 ("IRA")[1693] amounts were appropriated for necessary expenses of the Internal Revenue Service ("IRS") to deliver to Congress—within nine months following the date of enactment of the Act—a report on the cost of developing and running a free direct e-file tax return system; taxpayer opinions, expectations and level of trust for such a system; and the opinions of an independent third-party on the overall feasibility approach, schedule, cost, organizational design and IRS capacity to deliver such a system.

The IRS developed a phased approach to the Direct E–File Pilot during the 2024 tax filing season and subsequently announced that Direct E–File would be a permanent option for filing tax returns beginning with the 2025 tax filing season.[1694]

REASONS FOR CHANGE

The Committee believes the current implementation of the Direct File program is too costly and inefficient. Furthermore, taxpayers already have numerous options for filing their taxes. Instead, the Committee believes it would be useful to explore the feasibility of a new approach such as a public-private partnership to provide for free tax filing for up to 70 percent of taxpayers, replacing both the Direct File and the existing Free File programs.

EXPLANATION OF PROVISION

The provision directs the Secretary of the Treasury to terminate the IRS Direct File program as soon as practicable, but no later than 30 days after date of enactment.

Out of any money in the Treasury not otherwise appropriated, the provision provides for appropriations for the fiscal year ending September 30, 2026, for necessary expenses of the Department of Treasury to deliver to Congress, within 90 days following the date of enactment, a report on 1) the cost of a new public-private partnership to provide for free tax filing for up to 70 percent of all taxpayers calculated by adjusted gross income to replace free file and any IRS-run direct file programs; 2) taxpayer opinions and preferences regarding a taxpayer-funded, government-run service or a free service provided by the private sector; and 3) assessment of the feasibility of a new approach, how to make the options consistent and simple for taxpayers across all participating providers, how to provide features to address taxpayer needs, and how much money should be appropriated to advertise the new option, $15 million, to remain available until September 30, 2026, in order to carry out the termination of the IRS Direct File, as well as the task force.

[1693] Inflation Reduction Act of 2022, Pub. L. No. 117–169, sec. 10301, August 16, 2022.

[1694] Inspector General for Tax Administration, Department of the Treasury, *Inflation Reduction Act: Results of the Direct File Pilot* (TIGTA 2025–408–015), March 20, 2025.

EFFECTIVE DATE

The provision is effective on the date of enactment.

POSTPONEMENT OF TAX DEADLINES FOR HOSTAGES AND INDIVIDUALS WRONGFULLY DETAINED ABROAD (SEC. 112208 OF THE BILL AND SEC. 6511 OF THE CODE AND NEW SEC. 7511 OF THE CODE)

PRESENT LAW

General rules establishing Code deadlines

The United States tax system generally relies upon self-reporting and assessment. For most individuals, that self-reporting is in the form of an income tax return. Persons required to file income tax returns [1695] must file such returns in the manner prescribed by the Secretary, with any payment due, in compliance with due dates established in the Code, if any, or by regulations. The Code includes a general rule that requires income tax returns of individuals to be filed on or before the 15th day of the fourth month following the end of the taxable year, but certain exceptions are provided both in the Code and in regulations.[1696]

The Code also establishes the limitation periods within which the Internal Revenue Service ("IRS") must perform its various administrative duties, such as assessment of taxes, interest, and any additions to tax or penalties related to the taxes and collection of such taxes, interest, and additions to tax. Taxes are generally required to be assessed within three years after a taxpayer's return is filed, regardless of whether it was timely filed.[1697] Several exceptions may prevent the three-year limitation period from beginning, including failure to file a return or filing a false or fraudulent return with the intent to evade tax. In those cases, the tax may be assessed, or a proceeding in court for collection of such tax may commence without assessment, at any time.[1698] After the taxes are finally determined, whether it is through alternative payment methods, or enforced collection activity, the IRS must collect within 10 years from the date of assessment of tax.[1699] A refund or credit is authorized for a taxable year only if an overpayment exists, that is, if the amounts paid or deemed paid exceed the tax liability for that year and a claim for such amount is timely made.[1700]

Special rules authorizing extensions of time for required events in the Code

In computing the time within which they must complete an action required or prescribed by the Code, persons who serve in the United States Armed Forces or in support of the Armed Forces are entitled to disregard their period of service while in designated

[1695] Section 6012 provides general rules identifying who must file an income tax return.

[1696] Secs. 6072 (prescribing deadlines for filing income tax returns) and 6081 (authorization of extensions of time to file, provided tax estimated to be due is paid with the application for extension).

[1697] Sec. 6501(a). Returns that are filed before the date they are due are deemed filed on the due date. See sec. 6501(b)(1) and (2).

[1698] Sec. 6501(c)(1), (2), and (3).

[1699] Sec. 6502.

[1700] Secs. 6402 (authority for refunding an overpayment) and 6511 (limitations period for filing a claim, including both a timely filing requirement and a lookback period to determine amounts eligible to be refunded).

combat zones[1701] or serving overseas in a contingency operation designated as such by the Secretary of Defense,[1702] and the 180 days succeeding such period. For this purpose, periods of hospitalization that result from such service are included in the time that may be disregarded. The period that may be disregarded by the taxpayer is also disregarded in determinations by the IRS of the amount of any underpayment interest, penalty, additional amount, or addition to tax, and the amount of any credit or refund. Special rules apply for the period a person is in missing status,[1703] for certain limitations on refunds or collection actions,[1704] as well as application of these rules to the spouse of the taxpayer.[1705]

The Code specifies a number of actions for which the specified periods of time may generally be disregarded by persons who serve in the United States Armed Forces or in support of the Armed Forces described above. These actions include those required of taxpayers as well as those performed by the IRS. The former includes actions such as the filing any return of income, estate, gift, employment, or excise tax; filing a petition with the Tax Court for redetermination of a deficiency or for review of a decision rendered by the Tax Court; and actions related to refunds, such as filing a claim or bringing suit upon such claim. Actions by the IRS for which a deadline is extended include the assessment of any tax and related notices, such as notice and demand for payment or collection of the tax; the allowance of a refund; and bringing suit by the United States in respect of any liability in respect of any tax. In addition, the statute includes a residuary clause that permits the Secretary to designate any other act required or permitted under the internal revenue laws as within the scope of section 7508(a).[1706] Finally, special rules ensure that a taxpayer to whom the extension is available remains entitled to overpayment interest rates.[1707]

Another provision of the Code, relating to disasters, mandates a 60-day extension and authorizes the Secretary to specify a period of up to one year that may be disregarded for performing various acts under the Code, such as filing tax returns, paying taxes, or filing a claim for credit or refund of tax, for eligible taxpayers. The limited relief from deadlines under this disaster extension applies to the same list of actions for which the specified time is disregarded for persons in combat zones. The provision adopts by cross reference to section 7508(b) the special rules regarding overpayment interest for affected taxpayers. To qualify for this extension, an eligible taxpayer must be affected by a Federally declared disaster, a significant fire, or a terroristic or military action.[1708]

Persons held hostage or wrongfully detained

Neither the provision on service in a combat zone nor the rules on disaster relief address persons who fail to meet a tax filing or

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[1701] Sec. 112.
[1702] Sec. 7508.
[1703] Sec. 7508(d).
[1704] Sec. 7508(b) and (e).
[1705] Sec. 7508(c).
[1706] Sec. 7508(a)(1). In addition, Revenue Procedure 2018–58 supplements the list of postponed acts in section 7508(a)(1) and Treasury Regulation section 301.7508A–1(c)(1) with an additional list of time-sensitive acts.
[1707] Sec. 7508(b).
[1708] Sec. 7508A.

payment deadline that arises while they are unlawfully or wrongfully detained abroad. Federal law provides a set of criteria for determining whether a United States national [1709] is a wrongfully detained person. Such determination requires the involvement of the Hostage Recovery Fusion Cell, a multi-agency entity that addresses coordination of efforts to identify and recover those held hostage or wrongfully detained. Generally, if the person detained is held by a sovereign entity, determination of whether such person is wrongfully detained rests with the Secretary of State using prescribed criteria. Hostage status is determined by the Hostage Recovery Fusion Cell, under the leadership of the Federal Bureau of Investigation.[1710]

In recent years, the incidence of United States citizens or residents abroad being wrongfully detained or held hostage has been increasingly frequent. When they are released from detention, they face many challenges in adjusting to a return to their normal, daily life. That adjustment upon a return home is made more difficult when they must face notices that they were subject to tax inquiries, penalties or interest based on delinquencies accruing in their absence they were unable to avoid. While the IRS may work with the released hostage or detainee to abate or reverse some of those notices, the authority of the IRS may be limited to do so, especially in cases in which the period of detention was lengthy. Most penalties based on delinquency can be abated based upon reasonable cause, for example, unless the limitations period for making corrections to a year has lapsed. However, the Code narrowly restricts IRS authority to abate any interest that may have accrued for failure to pay income tax timely.

REASONS FOR CHANGE

In recent years, the incidence of United States citizens or residents abroad being wrongfully detained or held hostage has been increasingly frequent. hen they are released from detention, they face many challenges in adjusting to a return to their normal, daily life. That adjustment upon a return home is made more difficult when they must face notices that they were subject to tax inquiries, penalties or interest based on delinquencies accruing in their absence they were unable to avoid. The Committee has learned that, while the IRS may work with the released hostage or detainee to abate or reverse some of those notices, the authority of the IRS may be limited to do so, especially in cases in which the period of detention was lengthy. Most penalties based on delinquency can be abated based upon reasonable cause, for example, unless the limitations period for making corrections to a year has lapsed. Even if the limitations period is open, the Code narrowly restricts IRS authority to abate any interest that may have accrued for failure to pay income tax timely. In response, the Committee supports enactment of this bill to provide relief similar in scope

[1709] 22 U.S.C. 1741e defines "United States national" to mean citizens and certain noncitizens within the scope of 8 U.S.C. secs. 1102(a)(22) and 1408 and lawful permanent residents with significant ties to the United States.

[1710] Sections 302 and 304 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act, Pub. L. 116–260, div. FF, title III, sec. 301, Dec. 27, 2020, codified at 22 U.S.C. sec. 1741 through 1741f.

and type to those deployed to combat zones or affected by a Federally declared disaster. It will require reporting by agencies involved in monitoring status of U.S. citizens or residents held abroad to the IRS to enable the IRS to avoid sending notices during the period of detention, and to correct any missteps in that regard with a minimum

EXPLANATION OF PROVISION

The provision adds a new Code section that extends due dates for certain Federal tax matters for hostages and persons wrongfully detained by providing that the period of detention is disregarded in determining deadlines, interest, and penalties for the person, comparable to the rules applicable to a person deployed in a combat zone. Similar to those rules, it extends such relief to the spouse of the hostage or detainee and adopts special rules with respect to overpayment interest. The class of applicable persons is defined by reference to provisions of Title 22 on wrongfully detained persons or hostages.

Under the provision, the period that may be disregarded in redetermining time limits is the entire period during which the person was held hostage or wrongfully detained during any taxable year ending after date of enactment. The list in present-law section 7508 identifying events for which a deadline is extended is used for the new provision.

The provision uses the term "applicable individual" to describe a person entitled to the extension. A person is an applicable individual if that person is either determined to be wrongfully detained under section 302 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act or is determined to be a hostage under findings of the Hostage Recovery Fusion Cell. The class of applicable individuals consists of persons who are identified on reports provided to the Secretary. The provision requires the Secretary of State to provide a list of persons wrongfully detained, together with any identifying information available. The Attorney General, through the Hostage Recovery Fusion Cell, is required to provide a comparable list of persons believed to be hostages. The initial report is due no later than January 1, 2026, with further reports due annually.

The provision also extends relief to persons who were assessed interest, penalties or additional amounts with respect to a tax liability for a failure to meet a deadline that arose during the period of detention for which extension is authorized. If the interest, penalties or fines were assessed before the person was identified as an applicable individual, the Secretary is directed to abate and refund any such amounts as overpayments in the same manner as would apply under section 6402.

In addition to the prospective relief described above, the provision directs the Secretary, in consultation with Secretary of State and the Hostage Recovery Fusion Cell, to initiate a program under which persons who were detained during an applicable period beginning January 1, 2021, and ending before date of enactment may seek refund of interest and penalties assessed with respect to tax years ending during the applicable period. This program is to be available to eligible individuals (persons who would have been ap-

plicable individuals but for the taxable years involved and their dependent or spouse), to be identified by the Secretary of State and Attorney General in reports similar to those required with respect to applicable individuals. A person may be both an applicable individual with respect to a taxable year ending after date of enactment and an eligible individual with respect to an earlier taxable year within the applicable period. Once such persons are identified, they are entitled to notice of the potential relief within 90 days from their release from captivity, or, if released prior to date of enactment, within 90 days after enactment.

After receiving notice of the program, eligible individuals are permitted to seek abatement or claim a refund for additions to tax and interest assessed or collected in respect of a tax liability attributable to the applicable period. The limitations period for filing a claim for refund or seeking abatement is extended, so that it expires no earlier than one year from the notice issued to the eligible individual. Furthermore, the look-back period for determining payments that may be within the scope of a refund claim is not applicable.

The provision also requires the Secretary to make necessary updates to databases and information systems to ensure that expiration dates, interest and penalty accrual, and collection activities are suspended consistent with this provision.

EFFECTIVE DATE

The provision is generally effective for applicable individuals for taxable years ending after the date of enactment. The special program for notifications, refunds or abatements to eligible individuals for the applicable period from January 1, 2021, through date of enactment, is effective only for taxable years ending before the date of enactment.

TERMINATION OF TAX-EXEMPT STATUS OF TERRORIST SUPPORTING ORGANIZATIONS (SEC. 112209 OF THE BILL AND SEC. 501(P) OF THE CODE)

PRESENT LAW

Revocation of tax-exempt status, in general

Under present law, the IRS generally issues a letter revoking recognition of an organization's tax-exempt status only after (1) conducting an examination of the organization, (2) issuing a letter to the organization proposing revocation, and (3) allowing the organization to exhaust the administrative appeal rights that follow the issuance of the proposed revocation letter. In the case of an organization described in section 501(c) or (d), the revocation letter immediately is subject to judicial review under the declaratory judgment procedures of section 7428. To sustain a revocation of tax-exempt status under section 7428, the IRS must demonstrate that the organization is no longer entitled to exemption.

Suspension of tax-exempt status of terrorist organizations (section 501(p))

To combat terrorism, the Federal government has designated a number of organizations as terrorist organizations or supporters of terrorism under the Immigration and Nationality Act, the International Emergency Economic Powers Act, and the United Nations Participation Act of 1945.

The tax-exempt status of an organization that is exempt from tax under section 501(a) is suspended for the period during which the organization is designated or identified by Federal authorities as a terrorist organization or supporter of terrorism. An organization so designated or identified is also ineligible to apply for tax-exempt status under section 501(a).[1711] The period of suspension begins on the later of (1) the date the organization is first designated or identified or (2) November 11, 2003,[1712] and ends on the date when all designations or identifications with respect to the organization have been rescinded pursuant to the law or Executive Order under which the designation or identification was made.[1713]

For this purpose, a terrorist organization is an organization that has been designated or otherwise individually identified (1) as a terrorist organization or foreign terrorist organization under the authority of section 212(a)(3)(B)(vi)(II) or section 219 of the Immigration and Nationality Act; (2) in or pursuant to an Executive Order that is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act for the purpose of imposing on such organization an economic or other sanction; or (3) in or pursuant to an Executive Order that refers to the provision and is issued under the authority of any Federal law if the organization is designated or otherwise individually identified in or pursuant to such Executive Order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989).[1714] During the period of suspension, no deduction for any contribution to a terrorist organization is allowed under the Code, including under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522.[1715]

No organization or other person may challenge, under section 7428 or any other provision of law, in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person, the following: the suspension of tax-exempt status, the ineligibility to apply for tax-exempt status, a designation or identification (described above), the timing of the period of suspension, or a denial of deduction (described above).[1716] The suspended organization may maintain other suits or administrative actions against the agency or agencies that designated or identified the organization, for the purpose of challenging such designation or

[1711] Sec. 501(p)(1).
[1712] The date of enactment of section 501(p). Pub. L. No. 108–121.
[1713] Sec. 501(p)(3).
[1714] Sec. 501(p)(2).
[1715] Sec. 501(p)(4).
[1716] Sec. 501(p)(5).

identification (but not the suspension of tax-exempt status under this provision).

If the tax exemption of an organization is suspended and each designation and identification that has been made with respect to the organization is determined to be erroneous pursuant to the law or Executive Order making the designation or identification, and such erroneous designation results in an overpayment of income tax for any taxable year with respect to such organization, a credit or refund (with interest) with respect to such overpayment shall be made. If the operation of any law or rule of law (including res judicata) prevents the credit or refund at any time, the credit or refund may nevertheless be allowed or made if the claim for such credit or refund is filed before the close of the one-year period beginning on the date that the last remaining designation or identification with respect to the organization is determined to be erroneous.[1717]

The IRS is directed to update the listings of tax-exempt organizations to take account of an organization that has had its tax-exempt status suspended and to publish appropriate notice to taxpayers of the suspension of such organization's tax-exempt status and the fact that contributions to such organization are not deductible during the period of suspension.[1718]

As of this writing, there are nine organizations on the IRS's list of organizations suspended under section 501(p).[1719]

REASONS FOR CHANGE

The Committee received testimony about links between domestic organizations with tax-exempt status and international terrorist organizations and believes the Code should not be used to subsidize or finance violent terrorism around the world. believes that any organization that is determined to have provided material support or resources to a terrorist organization should have its tax-exempt status terminated. However, the Committee also believes that organizations that are designated as terrorist supporting organizations should receive adequate notice and be given the opportunity to demonstrate that such designation was in error or, alternatively, given the opportunity to cure.

EXPLANATION OF PROVISION

In general

The provision extends section 501(p) such that it applies not only to terrorist organizations (as under present law) but also to terrorist supporting organizations. The provision treats a terrorist supporting organization as a terrorist organization described in section 501(p)(2). The effect of this treatment is that the tax-exempt status of a terrorist supporting organization, and the eligibility of such organization to apply for tax-exempt status, are suspended. The period of suspension of a terrorist supporting organization is treated as beginning on the date the Secretary designates the orga-

[1717] Sec. 501(p)(6).
[1718] Sec. 501(p)(7).
[1719] See https://www.irs.gov/charities-non-profits/charitable-organizations/suspensions-pursuant-to-code-section-501p#:~:text=Under%20section%20501(p)%20of,under%20section%20501(p) (last accessed on May 5, 2025).

nization as a terrorist supporting organization and ending on the date the Secretary rescinds the designation, as described below.

A terrorist supporting organization is any organization that is designated by the Secretary as having provided, during the three-year period ending on the date of such designation, material support or resources to a terrorist organization or terrorist supporting organization described in section 501(p) in excess of a de minimis amount. For this purpose, the term "material support or resources" is defined by reference to section 2339B of Title 18 of the U.S. Code,[1720] except that the term does not include support or resources that were approved by the Secretary of State with the concurrence of the Attorney General, or humanitarian aid provided with the approval of the Office of Foreign Assets Control.

Notice requirement

Before designating an organization as a terrorist supporting organization, the Secretary is required to mail to the most recent mailing address provided to the IRS on its most recent annual information return or notice filed with the IRS (or subsequently submitted form indicating a change of address) a written notice. The notice must include: (1) a statement that the Secretary will designate the organization as a terrorist supporting organization unless the organization satisfies the requirements outlined in the following paragraph (relating to opportunity to cure), (2) the name of the organization or organizations with respect to which the Secretary has determined such organization provided material support or resources, (3) a description of such material support or resources, except to the extent that the Secretary determines that disclosure of the description would be inconsistent with national security and law enforcement interests, and (4) if the Secretary makes a determination described in (3) (a "national security determination"), a statement that the Secretary has made such a determination and that all or part of the description of such material support or resources is included in such notice by reason of such determination.

Opportunity to cure

In the case of such a notice, the Secretary shall, at the end of the 90-day period beginning on the date the notice was sent, designate the organization as a terrorist supporting organization if, and only if, the organization has not during such period: (1) demonstrated to the satisfaction of the Secretary that the organization did not provide the material support or resources, (2) made reasonable efforts to have such support or resources returned to such organization and certified in writing to the Secretary that such organization will not provide any further support or resources to a ter-

[1720] Section 2339B defines "material support or resources" by reference to section 2339A of Title 18 of the U.S. Code. Section 2339A, in turn, provides that material support or resources means "any property, tangible or intangible, or service, including currency or monetary instruments or financial securities, financial services, lodging, training, expert advice or assistance, safehouses, false documentation or identification, communications equipment, facilities, weapons, lethal substances, explosives, personnel (1 or more individuals who may be or include oneself), and transportation, except medicine or religious materials." The term "training" is defined as "instruction or teaching designed to impart a specific skill, as opposed to general knowledge." The term "expert advice or assistance" is defined as "advice or assistance derived from scientific, technical or other specialized knowledge."

rorist organization or terrorist supporting organization described in section 501(p)(2), or (3) if such notice included a statement that the Secretary has made a national security determination, filed a complaint with a United States district court of competent jurisdiction alleging that the Secretary's national security determination is erroneous. Such a certification is not valid if the organization making the certification has provided any other such certification during the preceding five years.

Rescission of designation

The Secretary shall rescind a designation if and only if: (1) the Secretary determines that the designation was erroneous; (2) after the Secretary receives a certification from an organization that it did not receive the notice described above, (a) the Secretary determines that it is reasonable to believe that the organization did not receive the notice, and (b) the organization satisfies the above requirements relating to curing a deficiency (that is, the organization demonstrates that it did not provide material support or resources or made reasonable efforts to have such support or resources returned and makes the required certification); or (3) the Secretary determines that the periods of suspension for all organizations to which the material support or resources were provided have ended. The certification described in (2) above is not treated as valid if the organization making the certification has provided any other such certification during the preceding five years.

Administration and judicial review of designation

Notwithstanding the present-law rule that disallows a challenge to a designation as a terrorist organization in certain administrative or judicial proceedings (section 501(p)(5)), in the case of the designation of an organization as a terrorist supporting organization, a dispute regarding such designation is subject to resolution by the IRS Independent Office of Appeals ("IRS Appeals") under section 7803(e) (which describes IRS Appeals). The dispute is subject to IRS Appeals resolution in the same manner as if the designation were made by the IRS. In addition, notwithstanding section 501(p)(5), the United States district courts shall have exclusive jurisdiction to review a final determination with respect to an organization's designation as a terrorist supporting organization. In the case of a determination that was based on classified information,[1721] such information may be submitted to the reviewing court *ex parte* and *in camera*. For purposes of such judicial review, a determination shall not fail to be treated as a final determination merely because the organization fails to utilize the dispute resolution process of IRS Appeals described above. The Secretary is directed to establish policies and procedures to ensure that employees of the Department of the Treasury comply with all laws regarding the handling and review of classified information.[1722]

[1721] As defined in section 1(a) of the Classified Information Procedures Act.
[1722] As defined in section 1(a) of the Classified Information Procedures Act.

EFFECTIVE DATE

The provision is effective for designations made after the date of enactment in taxable years ending after such date.

INCREASE IN PENALTIES FOR UNAUTHORIZED DISCLOSURES OF TAXPAYER INFORMATION (SEC. 112210 OF THE BILL AND SEC. 7213 OF THE CODE)

PRESENT LAW

General rule of confidentiality

As a general rule, section 6103 provides that returns and return information are confidential. The definition of return information is very broad and includes any information received or collected by the Internal Revenue Service ("IRS") with respect to the liability under the Code of any person for any tax, penalty, interest, or offense. Returns and return information cannot be disclosed unless there is an applicable exception in the Code.

Section 6103 contains numerous narrowly-tailored exceptions to the general rule of confidentiality, grouped into 13 categories (paragraphs (c) through (o)): (1) disclosures of return and return information to designees of the taxpayer (consent); (2) disclosures to State tax officials and State and local law enforcement; (3) disclosures to persons having material interest; (4) disclosure to committees of Congress; (5) disclosures to the President and certain other persons; (6) disclosure to certain Federal officers and employees for purposes of tax administration, etc.; (7) disclosure to Federal officers and employees for administration of Federal laws not relating to tax administration (generally disclosures relating to criminal law enforcement and GAO for audits of the IRS and certain other agencies), (8) statistical use; (9) disclosure of certain return and return information for tax administration purposes (including investigative disclosures and passport revocation); (10) disclosures of returns and return information for purposes other than tax administration (includes 22 different exceptions); (11) disclosure of taxpayer identity information; (12) certain other persons (tax administration contractors); and (13) disclosure of return and return information with respect to certain excise taxes (alcohol, tobacco, firearms, wagering and the heavy vehicle use tax).

To protect the confidentiality of returns and return information, section 6103 imposes recordkeeping and safeguard requirements. By March 31 of each year, the IRS is required to report on the number of certain disclosures made in the previous calendar year. As a condition of receiving returns and return information, specified recipients are required to meet safeguard requirements to the satisfaction of the Secretary to protect the confidential returns and return information. In addition, the IRS performs periodic onsite inspections and is required to submit a report which describes the procedures and safeguards established and utilized by such recipients for ensuring the confidentiality of returns and return information they receive. The report also is required to describe instances of deficiencies in, and failure to establish or utilize, such procedures.

Criminal penalties for the unauthorized disclosure or inspection of returns or return information

Under section 7213, criminal penalties apply to: (1) willful unauthorized disclosures of returns and return information by Federal and State employees and other persons; (2) the offering of any item of material value in exchange for a return or return information and the receipt of such information pursuant to such an offer; and (3) the unauthorized disclosure of return information received by certain shareholders under the material interest provision of section 6103.

Under section 7213, a person can be subject to a fine of up to $5,000, up to five years imprisonment, or both, together with the costs of prosecution.[1723] If the offense is committed by a Federal employee or officer, the employee or officer will be discharged from office upon conviction.

Under section 7213A, the willful and unauthorized inspection of returns and return information can subject Federal and State employees and others to a maximum fine of $1,000, up to a year in prison, or both, in addition to the costs of prosecution.[1724] If the offense is committed by a Federal employee or officer, the employee or officer will be discharged from office upon conviction.

In addition, any person who intentionally accesses a computer "without authorization or exceeds authorized access, and thereby obtains . . . information from any department or agency of the United States" can be prosecuted under 18 U.S.C. section 1030(a)(2) and upon conviction may be imprisoned for a year, or fined, or both.

Civil damage remedies for unauthorized disclosure or inspection

If a Federal employee makes an unauthorized disclosure or inspection, under section 7431, a taxpayer can bring suit against the United States in Federal district court. If a person other than a Federal employee makes an unauthorized disclosure or inspection, suit may be brought directly against such person. No liability results from a disclosure based on a good faith, but erroneous, interpretation of section 6103. A disclosure or inspection made at the request of the taxpayer will also relieve liability.

Upon a finding of liability, a taxpayer can recover the greater of $1,000 per act of unauthorized disclosure (or inspection), or the sum of actual damages plus, in the case of an inspection or disclosure that was willful or the result of gross negligence, punitive damages. The taxpayer may also recover the costs of the action and, if found to be a prevailing party, reasonable attorney fees.

The taxpayer has two years from the date of the discovery of the unauthorized inspection or disclosure to bring suit. The IRS is required to notify a taxpayer of an unauthorized inspection or disclosure as soon as practicable after any person is criminally charged

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[1723] A fine of up to $250,000 can be imposed pursuant to 18 U.S.C. sec. 3571. Section 3559 of Title 18 specifies that an offense with a maximum authorized term of imprisonment of "less than ten years but five or more years" is a "Class D felony," and that an offense with a maximum authorized term of imprisonment of "less than twenty-five years but ten or more years" is a "Class C felony.'

[1724] A fine of up to $100,000 can be imposed pursuant to 18 U.S.C. sec. 3571(b)(4), applicable to Class A misdemeanors, defined in section 3559 of Title 18 as an offense with a maximum authorized term of imprisonment of "one year or less but more than six months."

by indictment or information for unlawful inspection or disclosure. In addition, if the Internal Revenue Service or a Federal or State agency (upon notice to the Secretary by such Federal or State agency) proposes an administrative determination as to disciplinary or adverse action against an employee arising from the employee's unauthorized inspection or disclosure of the taxpayer's return or return information, the taxpayer is also required to be notified.

REASONS FOR CHANGE

Charles Littlejohn, a contractor for the IRS, stole confidential tax return information for thousands of the nation's wealthiest individuals and disclosed this information to two news organizations, which published articles on the information. Although the information of thousands of taxpayers was involved, Mr. Littlejohn was charged with only a single count of willful unauthorized disclosure.[1725] Mr. Littlejohn was sentenced to the maximum provided by section 7213, $5,000 and five years in prison. The Committee believes that the penalties for unauthorized disclosure should be strengthened by increasing the maximum penalty to a $250,000 fine and 10 years imprisonment, to serve as a deterrent to future violations of the law. In addition, the bill ensures that each taxpayer impacted by a disclosure will count as a separate and distinct violation of the law.

EXPLANATION OF PROVISION

The provision increases the specified maximum fine in section 7213 from $5,000 to $250,000, consistent with 18 U.S.C. section 3571. The provision also increases from five years to 10 years the maximum term of imprisonment upon conviction of a section 7213 violation. Under the provision, for a willful unauthorized disclosure involving the returns or return information of multiple taxpayers, a separate violation occurs with respect to each such taxpayer whose return or return information is disclosed.

EFFECTIVE DATE

The provision is effective for disclosures made after the date of enactment.

RESTRICTION ON REGULATION OF CONTINGENCY FEES WITH RESPECT TO TAX RETURNS, ETC. (SEC. 112211 OF THE BILL)

PRESENT LAW

The Code provides that a taxpayer may deduct all ordinary and necessary expenses paid or incurred during the taxable year in carrying on a trade or business.[1726]

A current deduction for an expense for which there is a right or expectation of reimbursement may be disallowed because these payments are not expenses of the taxpayer and are instead in the nature of an advance or a loan. The extent to which the right must be established has varied. Some cases have denied the current de-

[1725] Details of the Littlejohn prosecution, including court filings, are available at https://www.justice.gov/criminal/criminal-vns/case/united-states-v-charles-littlejohn.

[1726] Sec. 162(a); Treas. Reg. sec. 1.162–1(a).

duction because the right of reimbursement was fixed,[1727] others have allowed the current deduction because the right of reimbursement was uncertain,[1728] and other cases have denied the current deduction if the taxpayer's right to reimbursement was subject to a contingency.

Courts have held that an attorney representing clients on a contingent fee basis may not currently deduct advances to or expenses paid on behalf of the clients as ordinary and necessary business expenses.[1729] The amounts in these cases were to be repaid from any recovery. Courts have also held that even if reimbursement is due only under certain circumstances, generally no immediate deduction is allowable.[1730]

However, the Ninth Circuit reached the opposite conclusion and held that attorneys who represent clients in "gross fee" contingency fee cases are not extending loans to clients and therefore may treat litigation costs, such as court fees and witness expenses, as deductible business expenses under the Code.[1731] The IRS does not follow this decision, except in the Ninth Circuit, based on the fact that amounts advanced by attorneys will be reimbursed by the client and therefore are not deductible business expenses.[1732]

REASONS FOR CHANGE

Tax litigation may be expensive and may take many years to resolve. As a result, taxpayers often engage legal services on a contingency fee basis, allowing litigation of cases that the taxpayer may not otherwise be able or willing to afford. The Committee believes that the IRS regulation, prohibition, or restriction of contingency fees in relation to preparation of tax returns or refund claims improperly restricts taxpayers in their ability to adequately litigate tax cases and also exceeds the IRS's statutory authority.

EXPLANATION OF PROVISION

The provision specifies that the Secretary of the Treasury may not regulate, prohibit, or restrict the use of a contingent fee in connection with tax returns, claims for refund, or documents in connection with these prepared on behalf of a taxpayer.

EFFECTIVE DATE

The provision is effective on date of enactment.

[1727] *Charles Baloian Company, Inc. v. Commissioner*, 68 T.C. 620, 626, 628 (1977); *Manocchio v. Commissioner*, 710 F.2d 1400, 1402 (9th Cir. 1983); *Glendinning, McLeish & Co. v. Commissioner*, 61 F.2d 950, 952 (2d Cir. 1932); *Webbe v. Commissioner*, T.C. Memo. 1987–426, aff'd, 902 F.2d 688 (8th Cir. 1990).

[1728] *George K. Herman Chevrolet, Inc. v. Commissioner*, 39 T.C. 846, 853 (1963); *Allegheny Corporation v. Commissioner*, 28 T.C. 298, 305 (1957), acq., 1957–2 C.B. 3; *Electric Tachometer Corporation v. Commissioner*, 37 T.C. 158, 161–162 (1961), acq., 1962–2 C.B. 4.

[1729] *Burnett v. Commissioner*, 356 F.2d 755, 760 (5th Cir. 1966), cert. denied, 385 U.S. 832 (1966); *Herrick v. Commissioner*, 63 T.C. 562, 567, 568 (1975); *Canelo v. Commissioner*, 53 T.C. 217, 225 (1969), aff'd, 447 F.2d 484 (9th Cir. 1971), acq. 1971–2 C.B. 2, nonacq. in part, 1982–2 C.B. 2; *Silverton v. Commissioner*, T.C. Memo. 1977–198, aff'd, 647 F.2d 172 (9th Cir.), cert. denied, 454 U.S. 1033 (1981); *Watts v. Commissioner*, T.C. Memo. 1968–183.

[1730] *Boccardo v. Commissioner*, 12 Cl Ct. 184 (1987); *Boccardo v. Commissioner*, 65 T.C. Memo 2739 (1993).

[1731] *Boccardo v. Commissioner*, 56 F.3d 1016 (9th Cir. 1995), rev'g 65 T.C. Memo 2739 (1993).

[1732] 1997 FSA LEXIS 442 (June 2, 1997).

Subtitle D—Increase in Debt Limit

MODIFICATION OF LIMITATION ON THE PUBLIC DEBT (SEC. 113001 OF THE BILL)

PRESENT LAW

The limitation on debt imposed by section 3101(b) of title 31 of the United States Code was re-established at $36.1 trillion on January 2, 2025, following a suspension of the limit from June 3, 2023, through January 1, 2025.

EXPLANATION OF PROVISION

The provision increases the statutory limit by $4 trillion.

EFFECTIVE DATE

The provision is effective on the date of enactment.

II. VOTES OF THE COMMITTEE

In compliance with the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means during the markup consideration of Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14. on May 13, 2025.

The vote on Mr. Buchanan's motion to table Mr. Doggett's appeal of the ruling of the chair was agreed to by a roll call vote of 25 yeas to 19 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)	✓			Mr. Neal		✓	
Mr. Buchanan	✓			Mr. Doggett		✓	
Mr. Smith (NE)	✓			Mr. Thompson		✓	
Mr. Kelly	✓			Mr. Larson		✓	
Mr. Schweikert	✓			Mr. Davis		✓	
Mr. LaHood				Ms. Sanchez		✓	
Mr. Arrington	✓			Ms. Sewell		✓	
Mr. Estes	✓			Ms. DelBene		✓	
Mr. Smucker	✓			Ms. Chu		✓	
Mr. Hern	✓			Ms. Moore (WI)		✓	
Mrs. Miller (WV)	✓			Mr. Boyle		✓	
Dr. Murphy	✓			Mr. Beyer		✓	
Mr. Kustoff	✓			Mr. Evans		✓	
Mr. Fitzpatrick	✓			Mr. Schneider		✓	
Mr. Steube	✓			Mr. Panetta		✓	
Ms. Tenney	✓			Mr. Gomez		✓	
Mrs. Fischbach	✓			Mr. Horsford		✓	
Mr. Moore (UT)	✓			Ms. Plaskett		✓	
Ms. Van Duyne	✓			Mr. Suozzi		✓	
Mr. Feenstra	✓						
Ms. Malliotakis	✓						
Mr. Carey	✓						
Mr. Yakym	✓						
Mr. Miller (OH)	✓						
Mr. Bean	✓						
Mr. Moran	✓						

The vote on the amendment offered by Mr. Panetta to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would strike subtitle D, was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Boyle to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would provide that no provision in this title shall take effect unless prior to enactment, the Congressional Budget Office certifies that this Act does not increase the Federal deficit based on its ten-year projection of the impacts of such Act under the current law baseline as provided by the Congressional Budget and Impoundment Control Act of 1974, was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Horsford to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would permanently extend the temporary enhanced Advanced Premium Tax Credits, was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Suozzi to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would increase the cap on the deductibility of state and local taxes and would increase the top individual income tax rate was not agreed to by a roll call vote of 17 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett			
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)			
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis							
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Thompson to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would strike the energy provisions in Part I of Subtitle C was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Sánchez to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would terminate tariffs imposed by Executive Orders 14257, 14193, and 14194 was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Schneider to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would provide that the standard deduction is further increased until January 1, 2029 was not agreed to by a roll call vote of 18 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore	✓		
Mrs. Miller		✓		Mr. Boyle			
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. DelBene to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would make the Child Tax Credit fully refundable and further increase the credit amount was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Sewell to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would expand premium tax credits for certain individuals was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Doggett to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would extend the temporary enhanced Affordable Care Act (ACA) premium tax credits for certain individuals was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Thompson to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would strike the silencer tax cut was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Larson to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would permanently increase the tax rates applicable to net investment income and modifies taxes, benefits, and administrative authorities related to the Social Security programs, was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Doggett to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would modify the application of several tax provisions in the case of taxpayers with over $400,000 in income was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Chu to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would modify the application of several tax provisions in the case of taxpayers with over $10,000,000 in income was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Beyer to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would modify the application of several tax provisions in the case of taxpayers with over $100,000,000 in income was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Gomez to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would modify the application of several tax provisions in the case of taxpayers with over $1,000,000,000 in income was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Moore (WI) to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would limit the section 199A deduction to $25,000 and would phase the deduction out for business owners with over $200,000 in income for single filers and over $400,000 in income for joint filers was not agreed to by a roll call vote of 19 yeas to 26 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Davis to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would increase the Child and Dependent Care Tax Credit was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington		✓		Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Plaskett to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would provide an increased rum cover over rate of $13.25 retroactively and until 2032 for the U.S. Virgin Islands and Puerto Rico was withdrawn.

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)				Mr. Neal			
Mr. Buchanan				Mr. Doggett			
Mr. Smith (NE)				Mr. Thompson			
Mr. Kelly				Mr. Larson			
Mr. Schweikert				Mr. Davis			
Mr. LaHood				Ms. Sanchez			
Mr. Arrington				Ms. Sewell			
Mr. Estes				Ms. DelBene			
Mr. Smucker				Ms. Chu			
Mr. Hern				Ms. Moore (WI)			
Mrs. Miller (WV)				Mr. Boyle			
Dr. Murphy				Mr. Beyer			
Mr. Kustoff				Mr. Evans			
Mr. Fitzpatrick				Mr. Schneider			
Mr. Steube				Mr. Panetta			
Ms. Tenney				Mr. Gomez			
Mrs. Fischbach				Mr. Horsford			
Mr. Moore (UT)				Ms. Plaskett			
Ms. Van Duyne				Mr. Suozzi			
Mr. Feenstra							
Ms. Malliotakis							
Mr. Carey							
Mr. Yakym							
Mr. Miller (OH)							
Mr. Bean							
Mr. Moran							

The vote on the amendment offered by Mr. Evans to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would increase reporting requirements for the 199A deduction was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Chu to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would strike Sections 112201, 112202, and 112203 from the underlying bill, was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Sánchez to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would renew and expand Trade Adjustment Assistance, was not agreed to by a roll call vote of 19 yeas to 24 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Gomez to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would further increase the section 45S tax credit was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Horsford to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would establish a tax credit for certain travel and tourism expenses incurred by individuals was not agreed to by a roll call vote of 18 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett			
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore	✓		
Mrs. Miller		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Doggett to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would strike Sec. 110109 from the Committee Print was not agreed to by a roll call vote of 18 yeas to 24 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore	✓		
Mrs. Miller		✓		Mr. Boyle			
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Sewell to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would strike Sec. 112021 from the Committee Print was not agreed to by a roll call vote of 19 yeas to 24 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore	✓		
Mrs. Miller		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. DelBene to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would provide a refundable tax credit for fertility treatment expenses was not agreed to by a roll call vote of 19 yeas to 24 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore	✓		
Mrs. Miller		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Beyer to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would modify the tax treatment of certain items related to investment services partnership interests was not agreed to by a roll call vote of 18 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford			
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Panetta to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would update payments under the Medicare physician fee schedule at a rate equal to that of the Medicare Economic Index (MEI) was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Plaskett to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would prevent this Act from taking effect until certain certifications are provided by the Congressional Budget Office and modify the application of several tax provisions in the case of taxpayers with over $400,000 in income was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Ms. Moore (WI) to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would provide an exemption to the Section 4968 excise tax was withdrawn.

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)				Mr. Neal			
Mr. Buchanan				Mr. Doggett			
Mr. Smith (NE)				Mr. Thompson			
Mr. Kelly				Mr. Larson			
Mr. Schweikert				Mr. Davis			
Mr. LaHood				Ms. Sanchez			
Mr. Arrington				Ms. Sewell			
Mr. Estes				Ms. DelBene			
Mr. Smucker				Ms. Chu			
Mr. Hern				Ms. Moore (WI)			
Mrs. Miller (WV)				Mr. Boyle			
Dr. Murphy				Mr. Beyer			
Mr. Kustoff				Mr. Evans			
Mr. Fitzpatrick				Mr. Schneider			
Mr. Steube				Mr. Panetta			
Ms. Tenney				Mr. Gomez			
Mrs. Fischbach				Mr. Horsford			
Mr. Moore (UT)				Ms. Plaskett			
Ms. Van Duyne				Mr. Suozzi			
Mr. Feenstra							
Ms. Malliotakis							
Mr. Carey							
Mr. Yakym							
Mr. Miller (OH)							
Mr. Bean							
Mr. Moran							

The vote on the amendment offered by Mr. Horsford to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would modify the requirements for the deduction for qualified tips was withdrawn.

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)				Mr. Neal			
Mr. Buchanan				Mr. Doggett			
Mr. Smith (NE)				Mr. Thompson			
Mr. Kelly				Mr. Larson			
Mr. Schweikert				Mr. Davis			
Mr. LaHood				Ms. Sanchez			
Mr. Arrington				Ms. Sewell			
Mr. Estes				Ms. DelBene			
Mr. Smucker				Ms. Chu			
Mr. Hern				Ms. Moore (WI)			
Mrs. Miller (WV)				Mr. Boyle			
Dr. Murphy				Mr. Beyer			
Mr. Kustoff				Mr. Evans			
Mr. Fitzpatrick				Mr. Schneider			
Mr. Steube				Mr. Panetta			
Ms. Tenney				Mr. Gomez			
Mrs. Fischbach				Mr. Horsford			
Mr. Moore (UT)				Ms. Plaskett			
Ms. Van Duyne				Mr. Suozzi			
Mr. Feenstra							
Ms. Malliotakis							
Mr. Carey							
Mr. Yakym							
Mr. Miller (OH)							
Mr. Bean							
Mr. Moran							

The vote on the amendment offered by Mr. Gomez to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would extend the temporary enhanced ACA tax credits to certain individuals was not agreed to by a roll call vote of 19 yeas to 24 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Horsford to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would expand the Work Opportunity Tax Credit was not agreed to by a roll call vote of 19 yeas to 24 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick				Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Gomez to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would amend the amendment in the nature of a substitute to include H.R. 10025 (118th Congress) was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on Mr. Buchanan's motion to table Mr. Horsford's appeal of the ruling of the chair was agreed to by a roll call vote of 26 yeas to 18 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)	✓			Mr. Neal		✓	
Mr. Buchanan	✓			Mr. Doggett	✓		
Mr. Smith (NE)	✓			Mr. Thompson		✓	
Mr. Kelly	✓			Mr. Larson		✓	
Mr. Schweikert	✓			Mr. Davis		✓	
Mr. LaHood	✓			Ms. Sanchez		✓	
Mr. Arrington				Ms. Sewell		✓	
Mr. Estes	✓			Ms. DelBene		✓	
Mr. Smucker	✓			Ms. Chu		✓	
Mr. Hern	✓			Ms. Moore (WI)		✓	
Mrs. Miller (WV)	✓			Mr. Boyle		✓	
Dr. Murphy	✓			Mr. Beyer		✓	
Mr. Kustoff	✓			Mr. Evans		✓	
Mr. Fitzpatrick	✓			Mr. Schneider		✓	
Mr. Steube	✓			Mr. Panetta		✓	
Ms. Tenney	✓			Mr. Gomez		✓	
Mrs. Fischbach	✓			Mr. Horsford		✓	
Mr. Moore (UT)	✓			Ms. Plaskett		✓	
Ms. Van Duyne	✓			Mr. Suozzi		✓	
Mr. Feenstra	✓						
Ms. Malliotakis	✓						
Mr. Carey	✓						
Mr. Yakym	✓						
Mr. Miller (OH)	✓						
Mr. Bean	✓						
Mr. Moran	✓						

The vote on the amendment offered by Mr. Horsford to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would increase the deductibility of certain start-up and organizational expenses was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the amendment offered by Mr. Schneider to the amendment in the nature of a substitute to Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, which would strike title XI, was not agreed to by a roll call vote of 19 yeas to 25 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)		✓		Mr. Neal	✓		
Mr. Buchanan		✓		Mr. Doggett	✓		
Mr. Smith (NE)		✓		Mr. Thompson	✓		
Mr. Kelly		✓		Mr. Larson	✓		
Mr. Schweikert		✓		Mr. Davis	✓		
Mr. LaHood		✓		Ms. Sanchez	✓		
Mr. Arrington				Ms. Sewell	✓		
Mr. Estes		✓		Ms. DelBene	✓		
Mr. Smucker		✓		Ms. Chu	✓		
Mr. Hern		✓		Ms. Moore (WI)	✓		
Mrs. Miller (WV)		✓		Mr. Boyle	✓		
Dr. Murphy		✓		Mr. Beyer	✓		
Mr. Kustoff		✓		Mr. Evans	✓		
Mr. Fitzpatrick		✓		Mr. Schneider	✓		
Mr. Steube		✓		Mr. Panetta	✓		
Ms. Tenney		✓		Mr. Gomez	✓		
Mrs. Fischbach		✓		Mr. Horsford	✓		
Mr. Moore (UT)		✓		Ms. Plaskett	✓		
Ms. Van Duyne		✓		Mr. Suozzi	✓		
Mr. Feenstra		✓					
Ms. Malliotakis		✓					
Mr. Carey		✓					
Mr. Yakym		✓					
Mr. Miller (OH)		✓					
Mr. Bean		✓					
Mr. Moran		✓					

The vote on the motion to adopt the Committee Print as amended was agreed to by a roll call vote of 26 yeas to 19 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)	✓			Mr. Neal		✓	
Mr. Buchanan	✓			Mr. Doggett		✓	
Mr. Smith (NE)	✓			Mr. Thompson		✓	
Mr. Kelly	✓			Mr. Larson		✓	
Mr. Schweikert	✓			Mr. Davis		✓	
Mr. LaHood	✓			Ms. Sanchez		✓	
Mr. Arrington	✓			Ms. Sewell		✓	
Mr. Estes	✓			Ms. DelBene		✓	
Mr. Smucker	✓			Ms. Chu		✓	
Mr. Hern	✓			Ms. Moore (WI)		✓	
Mrs. Miller (WV)	✓			Mr. Boyle		✓	
Dr. Murphy	✓			Mr. Beyer		✓	
Mr. Kustoff	✓			Mr. Evans		✓	
Mr. Fitzpatrick	✓			Mr. Schneider		✓	
Mr. Steube	✓			Mr. Panetta		✓	
Ms. Tenney	✓			Mr. Gomez		✓	
Mrs. Fischbach	✓			Mr. Horsford		✓	
Mr. Moore (UT)	✓			Ms. Plaskett		✓	
Ms. Van Duyne	✓			Mr. Suozzi		✓	
Mr. Feenstra	✓						
Ms. Malliotakis	✓						
Mr. Carey	✓						
Mr. Yakym	✓						
Mr. Miller (OH)	✓						
Mr. Bean	✓						
Mr. Moran	✓						

The motion that the Committee transmit the recommendations of the Committee on Ways and Means, and all appropriate accompanying material including minority, additional, supplemental or dissenting views, to the House Committee on the Budget, in order to comply with the reconciliation directives included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14, and consistent with section 310 of the Congressional Budget and Impoundment Control Act of 1974 was ordered favorably transmitted to the Committee on the Budget by a roll call vote of 26 yeas and 19 nays. The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)	✓			Mr. Neal		✓	
Mr. Buchanan	✓			Mr. Doggett		✓	
Mr. Smith (NE)	✓			Mr. Thompson		✓	
Mr. Kelly	✓			Mr. Larson		✓	
Mr. Schweikert	✓			Mr. Davis		✓	
Mr. LaHood	✓			Ms. Sanchez		✓	
Mr. Arrington	✓			Ms. Sewell		✓	
Mr. Estes	✓			Ms. DelBene		✓	
Mr. Smucker	✓			Ms. Chu		✓	
Mr. Hern	✓			Ms. Moore (WI)		✓	
Mrs. Miller (WV)	✓			Mr. Boyle		✓	
Dr. Murphy	✓			Mr. Beyer		✓	
Mr. Kustoff	✓			Mr. Evans		✓	
Mr. Fitzpatrick	✓			Mr. Schneider		✓	
Mr. Steube	✓			Mr. Panetta		✓	
Ms. Tenney	✓			Mr. Gomez		✓	
Mrs. Fischbach	✓			Mr. Horsford		✓	
Mr. Moore (UT)	✓			Ms. Plaskett		✓	
Ms. Van Duyne	✓			Mr. Suozzi		✓	
Mr. Feenstra	✓						
Ms. Malliotakis	✓						
Mr. Carey	✓						
Mr. Yakym	✓						
Mr. Miller (OH)	✓						
Mr. Bean	✓						
Mr. Moran	✓						

IV. BUDGET EFFECTS OF THE BILL

A. Committee Estimate of Budgetary Effects

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974. The Committee has requested but not received from the Director of the Congressional Budget Office a cost estimate for the Committee's provisions.

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the committee print, as reported.

The committee print, as reported, is estimated to have the following effects on Federal fiscal year budget receipts for the period 2025 through 2034.

ESTIMATED BUDGET EFFECTS OF TAX PROPOSALS TO COMPLY WITH THE RECONCILIATION DIRECTIVE INCLUDED IN SECTION 2001 OF THE CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2025, H. CON. RES. 14, AS PASSED BY THE COMMITTEE ON WAYS AND MEANS ON MAY 14, 2025

Fiscal Years 2025 - 2034

[Millions of Dollars]

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
SUBTITLE A- MAKE AMERICAN FAMILIES AND WORKERS THRIVE AGAIN													
Part 1 - Permanently Preventing Tax Hikes on American Families and Workers													
1. Extension of modification of rates [1]	tyba 12/31/25	---	-146,528	-220,599	-231,082	-239,294	-248,014	-257,548	-267,762	-277,851	-288,785	-837,503	-2,177,465
2. Extension of increased standard deduction and temporary enhancement (enhancement sunset 12/31/28) [1]	iae tyba 12/31/25 & ie 12/31/24	-10,520	-73,499	-146,983	-152,808	-149,944	-143,368	-148,575	-154,791	-160,857	-166,968	-533,754	-1,308,313
3. Termination of deduction for personal exemptions [1]	tyba 12/31/25	---	129,685	191,039	197,558	207,273	215,315	221,734	228,137	235,912	243,054	725,555	1,869,708
4. Extension of increased child tax credit, SSN requirements, inflation indexing beginning 2029 (permanent), and temporary enhancement (sunset 12/31/28)[1]	tyba 12/31/24	---	-64,807	-98,665	-99,592	-92,069	-85,243	-87,726	-87,562	-89,671	-91,918	-355,133	-797,254
5. Extension of deduction for qualified business income and permanent enhancement	tyba 12/31/25	-6,970	-42,260	-71,252	-77,518	-78,880	-80,676	-82,757	-85,210	-87,905	-91,277	-276,880	-704,705
6. Modification to qualified business income deduction phaseout	tyba 12/31/25	---	4	10	21	33	46	57	63	67	69	67	369
7. Increase qualified business income deduction rate to 23 percent	tyba 12/31/25	---	-6,556	-11,174	-11,424	-11,637	-11,908	-12,219	-12,583	-12,983	-13,483	-40,791	-103,966
8. Modification to indexing for qualified business income deduction	tyba 12/31/25	---	-43	-72	-72	-73	-78	-82	-84	-88	-87	-260	-678
9. Business development corporation income qualifies for the qualified business income deduction	tyba 12/31/25	---	-505	-898	-995	-1,100	-1,214	-1,327	-1,441	-1,562	-1,692	-3,497	-10,734
10. Extension of increased estate and gift tax exemption amounts and permanent enhancement	dda & gma 12/31/25	-50	-3,672	-20,276	-22,353	-23,323	-24,710	-26,337	-28,093	-30,275	-32,636	-69,674	-211,725
11. Extension of increased alternative minimum tax exemption and phase-out thresholds	tyba 12/31/25	---	-79,627	-142,695	-145,092	-152,940	-161,253	-169,658	-178,383	-187,461	-196,915	-520,354	-1,414,024
12. Extension of limitation on deduction for qualified residence interest; extension of limitation on casualty loss deduction; termination of miscellaneous itemized deductions [1]	tyba 12/31/25	---	-774	-1,382	-1,068	253	1,312	1,691	1,927	2,034	2,179	-2,971	6,170
13. Termination of overall limitation on itemized deductions	tyba 12/31/25	*Estimate Included in Item A.1.12. Above*											
14. Limitation on tax benefit of itemized deductions	tyba 12/31/25	---	2,430	4,154	4,300	4,511	4,717	4,931	5,169	5,396	5,636	15,395	41,245
15. Termination of qualified bicycle commuting reimbursement exclusion [2]	tyba 12/31/25	---	10	15	16	17	19	21	23	25	27	58	173
16. Extension of limitation on exclusion and deduction for moving expenses [3][4]	tyba 12/31/25	---	715	1,461	1,524	1,604	1,686	1,753	1,825	1,901	1,978	5,303	14,446

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
17. Extension of limitation on wagering losses	tyba 12/31/25	---	1	5	5	6	6	6	6	6	6	17	47
18. Extension of increased limitation on contributions to ABLE Accounts and permanent enhancement	cma 12/31/25 & miaef tyba 12/31/25	---	[5]	[5]	[5]	[5]	-1	-1	-1	-1	-2	-1	-7
19. Extension of Savers credit allowed for ABLE contributions	tyea 12/31/25	---	[5]	-1	-1	-1	-1	-1	-1	-1	-1	-3	-8
20. Extension of rollovers from qualified tuition programs to ABLE accounts permitted	tyba 12/31/25	---	[5]	-1	-1	-1	-1	-1	-2	-2	-2	-3	-11
21. Extension of treatment of certain individuals performing services in the Sinai Peninsula and enhancement to include additional areas	spo/a 1/1/26	---	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-11
22. Extension of exclusion from gross income of student loans discharged on account of death or disability	doia 12/31/25	---	---	-44	-45	-46	-47	-49	-50	-51	-52	-136	-385
Part 2 - Additional Tax Relief for American Families and Workers													
1. No tax on tips (sunset 12/31/28)	tyba 12/31/24	---	-12,247	-9,739	-10,546	-6,611	-90	-98	-107	-117	-127	-39,143	-39,681
2. No tax on overtime (sunset 12/31/28)	tyba 12/31/24	---	-44,458	-35,546	-32,472	-11,541	---	---	---	---	---	-124,016	-124,016
3. Enhanced deduction for seniors (sunset 12/31/28) [1]	tyba 12/31/24	-4,424	-17,660	-17,677	-18,123	-13,751	---	---	---	---	---	-71,635	-71,635
4. No tax on car loan interest (sunset 12/31/28)	iia 12/31/24	-3,640	-10,167	-15,194	-18,670	-10,003	---	---	---	---	---	-57,673	-57,673
5. Enhancement of employer-provided child care credit	apoia 12/31/25	---	-45	-72	-76	-80	-84	-88	-93	-98	-94	-274	-731
6. Extension and enhancement of paid family and medical leave credit (45S) [6]	tyba 12/31/25	---	-102	-260	-379	-489	-610	-737	-870	-972	-1,036	-1,229	-5,454
7. Enhancement of adoption tax credit [1]	tyba 12/31/24	-189	-419	-301	-301	-183	-184	-185	-186	-187	-189	-1,393	-2,325
8. Recognizing Indian tribal governments for purposes of determining whether a child has special needs for purposes of the adoption credit [1]	tyba 12/31/24	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	-1	-1
9. Tax credit for contributions of individuals to scholarship granting organizations (credit sunset 12/31/29)	tyba 12/31/25	---	---	-4,987	-5,253	-4,991	-4,351	-566	-291	-1	-1	-15,232	-20,442
10. Additional elementary, secondary, and home school expenses treated as qualified higher education expenses for purposes of 529 accounts	dma DOE	---	-11	-13	-16	-16	-17	-17	-18	-18	-19	-56	-145
11. Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts	dma DOE	*Estimate Included in Item A.2.10.*											
12. Reinstatement of partial deduction for charitable contributions of individuals who do not elect to itemize (sunset 12/31/28)	tyba 12/31/24	-388	-1,876	-1,625	-1,684	-1,374	---	---	---	---	---	-6,947	-6,947
13. Exclusion for certain employer payments of student loans under educational assistance programs made permanent and adjusted for inflation	pma 12/31/25	---	-706	-1,034	-1,106	-1,182	-1,263	-1,349	-1,438	-1,531	-1,629	-4,027	-11,238
14. Extension of rules for treatment of certain disaster-related personal casualty losses	DOE	-6	-52	---	---	---	---	---	---	---	---	-60	-60
15. MAGA accounts	tyba 12/31/24	0	-7	-80	-183	-305	-441	-593	-762	-948	-1,153	-575	-4,473
16. MAGA accounts contribution pilot program [1]	tyba 12/31/24	-644	-5,800	-3,218	-3,210	---	---	---	---	---	---	-12,872	-12,872
Part 3 - Investing in Health of American Families and Workers													
1. Treatment of health reimbursement arrangements integrated with individual market coverage	pyba 12/31/25	*Estimate Included in Item A.3.3. Below*											

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
2. Participants in CHOICE arrangement eligible for purchase of Exchange insurance under cafeteria plan	tyba 12/31/25	*Estimate Included in Item A.3.3. Below*											
3. Employer credit for CHOICE arrangement [7]	tyba 12/31/25	---	-6	-10	-29	-44	-57	-74	-87	-93	-93	-88	-492
4. Individuals entitled to Part A of Medicare by reason of age allowed to contribute to health savings accounts [1][8][9]	mba 12/31/25	---	-90	-239	-409	-523	-569	-598	-627	-649	-676	-1,260	-4,380
5. Treatment of direct primary care service arrangements [10]	mba 12/31/25	---	-94	-177	-241	-311	-348	-372	-396	-423	-450	-823	-2,811
6. Allowance of bronze and catastrophic plans in connection with health savings account [8]	mba 12/31/25	---	-127	-286	-373	-431	-438	-451	-469	-490	-499	-1,217	-3,563
7. On-site employee clinics [11]	mi tyba 12/31/25	---	-42	-108	-183	-270	-312	-331	-349	-368	-385	-603	-2,349
8. Certain amounts paid for physical activity, fitness, and exercise treated as amounts paid for medical care [12]	tyba 12/31/25	---	-200	-523	-899	-1,206	-1,344	-1,443	-1,532	-1,633	-1,759	-2,828	-10,539
9. Allow both spouses to make catch-up contributions to the same health savings account [13]	tyba 12/31/25	---	-67	-160	-197	-212	-225	-239	-251	-262	-267	-636	-1,880
10. FSA and HRA terminations or conversions to fund HSAs [14]	dma 12/31/25	---	-22	-39	-42	-42	-43	-43	-44	-44	-45	-146	-363
11. Special rule for certain medical expenses incurred before establishment of health savings account [15]	cba 12/31/25	---	-7	-21	-25	-24	-24	-24	-23	-22	-21	-77	-190
12. Contributions permitted if spouse has health flexible spending arrangement [16]	pyba 12/31/25	---	-327	-593	-695	-740	-788	-843	-894	-946	-993	-2,354	-6,819
13. Increase in health savings account contribution limitation for certain individuals	tyba 12/31/25	---	-414	-775	-912	-949	-986	-1,032	-1,064	-1,107	-1,156	-3,050	-8,394
14. Interaction of provisions in Subtitle A [17]	---	---	-27	-93	-166	-219	-234	-241	-250	-260	-269	-504	-1,759
Total of Subtitle A		**-26,831**	**-380,400**	**-610,128**	**-634,818**	**-591,109**	**-545,821**	**-565,413**	**-588,566**	**-613,536**	**-641,732**	**-2,243,287**	**-5,198,359**
SUBTITLE B - MAKE RURAL AMERICA AND MAIN STREET GROW AGAIN													
Part 1- Extension of Tax Cuts and Jobs Act Reforms or Rural America and Main Street													
1. Extension of special depreciation allowance for certain property (sunset 12/31/29)	ppisa 1/19/25	-16,968	-82,787	-65,673	-57,842	-42,099	33,091	83,583	53,987	35,853	22,257	-265,369	-36,598
2. Deduction for domestic research and experimental expenditures (sunset 12/31/29)	tyba 12/31/24	-28,938	-38,834	-29,801	-20,363	-10,559	28,573	39,475	26,372	12,739	-1,441	-128,495	-22,778
3. Modified calculation of adjusted taxable income for purposes of business interest deduction (sunset 12/31/29)	tyba 12/31/24	-9,474	-6,455	-6,245	-5,813	-5,479	-3,100	-960	-805	-699	-522	-33,468	-39,554
4. Extension of deduction for foreign-derived intangible income and global intangible low-taxed income	tyba 12/31/25	---	-7,253	-14,477	-15,425	-18,124	-17,811	-16,053	-17,354	-18,342	-17,767	-55,278	-142,605
5. Extension of base erosion minimum tax amount	tyba 12/31/25	---	-1,991	-2,841	-2,043	-2,862	-3,647	-4,260	-4,552	-4,518	-4,527	-9,737	-31,241
Part 2 - Additional Tax Relief for Rural America and Main Street													
1. Special depreciation allowance for qualified production property (sunset 12/31/28)	ppisa DOE	-2,182	-30,484	-34,605	-34,187	-28,716	-18,462	-6,935	-599	3,482	4,784	-130,174	-147,904
2. Renewal and enhancement of opportunity zones	tyba DOE	---	---	-1,493	-5,999	-6,093	-6,140	-6,219	-6,306	-1,598	28,391	-13,585	-5,456
3. Increased dollar limitations for expensing of certain depreciable business assets [18]	tyba 12/31/24	-2,301	-4,292	-3,613	-2,995	-2,516	-2,116	-1,873	-1,757	-1,697	-1,662	-15,717	-24,820
4. Repeal of revision to de minimis rules for third party network transactions	[19]	-38	-1,108	-808	-849	-891	-936	-982	-1,032	-1,083	-1,137	-3,693	-8,863

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
5. Increase in threshold for requiring information reporting with respect to certain payees	pma 12/31/25	---	-196	-398	-425	-452	-481	-511	-543	-575	-593	-1,472	-4,175
6. Repeal of excise tax on indoor tanning services	spa DOE	-11	-38	-43	-42	-41	-40	-39	-38	-37	-36	-175	-365
7. Exclusion of interest on loans secured by rural or agricultural real property (sunset 12/31/28)	tyea DOE	-9	-60	-99	-133	-139	-136	-134	-131	-128	-126	-440	-1,095
8. Treatment of certain qualified sound recording productions	pci tyea DOE	-110	-341	-162	-123	158	184	111	68	41	24	-578	-153
9. Modifications to low-income housing credit	[21]	---	-46	-256	-672	-1,213	-1,761	-2,190	-2,467	-2,664	-2,840	-2,188	-14,110
10. Increased gross receipts threshold for small manufacturing businesses	tyba 12/31/25	---	-3,366	-3,341	-1,603	-1,076	-1,012	-962	-1,026	-1,110	-1,153	-9,386	-14,646
11. Global intangible low-taxed income determined without regard to certain income derived from services performed in the Virgin Islands	tyba DOE	---	-42	-89	-96	-99	-103	-107	-111	-115	-119	-327	-883
12. Extension and modification of clean fuel production credit (sunset12/31/31)[20]	[22]	---	-1,150	-2,296	-6,644	-7,943	-6,975	-8,460	-6,045	-3,154	-2,690	-18,033	-45,357
Part 3 - Investing in the Health of Rural American and Main Street													
1. Expanding the Definition of Rural Emergency Hospital Under the Medicare Program	---	*Estimate to be Provided by the Congressional Budget Office*											
Total of Subtitle B		**-60,031**	**-178,444**	**-166,240**	**-155,254**	**-128,144**	**-872**	**73,484**	**37,661**	**16,395**	**20,843**	**-688,114**	**-540,602**
SUBTITLE C - MAKE AMERICA WIN AGAIN													
Part 1 - Working Families over Elites													
1. Termination of previously-owned clean vehicle credit	vaa 12/31/25	---	121	434	542	862	1,136	1,297	1,592	1,460	---	1,959	7,444
2. Termination of clean vehicle credit	vaa 12/31/25	---	1,760	3,257	7,887	13,032	15,565	17,445	19,570	---	---	25,936	78,516
3. Termination of qualified commercial clean vehicles credit	vaa 12/31/25	---	7,156	10,263	12,363	14,755	17,250	18,846	20,894	3,651	-621	44,537	104,557
4. Termination of alternative fuel vehicle refueling property credit	ppisa 12/31/25	---	35	83	119	140	161	191	227	169	84	377	1,210
5. Termination of energy efficient home improvement credit	ppisa 12/31/25	---	258	2,598	2,735	2,880	3,032	3,192	3,360	3,167	---	8,471	21,222
6. Termination of residential clean energy credit	ppisa 12/31/25	-142	-753	5,486	7,942	9,321	10,135	10,853	11,526	11,943	11,048	21,855	77,361
7. Termination of new energy efficient home credit	haa 12/31/25	---	271	702	766	809	845	867	870	634	269	2,547	6,032
8. Phase out and restrictions on clean electricity production credit	[23]	---	---	3	177	698	1,774	3,079	4,755	7,040	10,004	878	27,529
9. Phase out and restrictions on clean electricity investment credit	[24]	---	347	9,561	14,434	16,187	18,190	20,207	22,989	25,016	27,951	40,529	154,881
10. Repeal of transferability of clean fuel production credit	fpa 12/31/27	*Estimate Included in Item B.2.12. Above*											
11. Restrictions on carbon oxide sequestration credit	[25]	---	---	710	1,306	1,660	2,048	2,446	2,874	3,350	3,617	3,676	18,011
12. Phase out and restrictions on zero-emission nuclear power production credit	[26]	---	---	---	---	739	1,834	2,811	3,665	1,383	---	739	10,432
13. Termination of clean hydrogen production credit [1][20]	fbca 12/31/25	---	16	107	275	525	875	1,094	1,527	2,119	2,690	923	9,228
14. Phase-out and restrictions on advanced manufacturing production credit	[27]	25	5,549	9,451	8,982	7,960	6,138	3,852	1,854	420	---	31,967	44,231
15. Phase-out of credit for certain energy property	[28]	---	---	2	3	3	2	2	2	3	4	9	22

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
16. Income from hydrogen storage, carbon capture added to qualifying income of certain publicly traded partnerships treated as corporations	tyba 12/31/25	---	-195	-202	-210	-218	-226	-235	-244	-253	-263	-825	-2,046
17. Limitation on amortization of certain sports franchises	paa DOE	3	16	39	61	84	108	132	157	182	209	203	991
18. Limitation on individual deductions for certain State and local taxes	tyba 12/31/25	---	36,443	89,076	93,245	99,605	106,891	112,722	119,158	125,805	132,679	318,369	915,624
19. Excessive employee remuneration from controlled group members and allocation of deduction	tyba 12/31/25	---	643	1,484	1,719	1,793	1,868	1,941	2,014	2,085	2,155	5,640	15,702
20. Expanding application of tax on excess compensation within tax-exempt organizations	tyba 12/31/25	---	236	334	362	393	426	462	501	543	589	1,324	3,844
21. Modification of the excise tax on net investment income of private colleges and universities	tyba 12/31/25	---	[29]	721	816	778	811	842	874	907	941	2,315	6,691
22. Increase in rate of tax on net investment income of certain private foundations	tyba DOE	423	1,159	1,555	1,615	1,679	1,745	1,814	1,886	1,961	2,038	6,431	15,875
23. Certain purchases of employee-owned stock disregarded for purposes of foundation tax on excess business holdings	[30]	*Negligible Revenue Effect*											
24. Unrelated business taxable income increased by amount of certain fringe benefit expenses for which deduction is disallowed	apoia 12/31/25	---	205	279	287	296	305	314	323	333	343	1,067	2,685
25. Name and logo royalties treated as unrelated business taxable income	tyba 12/31/25	---	231	346	370	396	424	453	485	519	555	1,342	3,778
26. Exclusion of research income limited to publicly available research	aroaa 12/31/25	*Negligible Revenue Effect*											
27. Limitation on excess business losses of noncorporate taxpayers	tyba 12/31/25	---	794	1,448	1,233	4,369	5,890	3,864	3,303	2,929	2,683	7,844	26,513
28. 1-percent floor on deductions of charitable corporations made by corporations	tyba 12/31/25	---	1,276	1,872	2,142	1,964	1,832	1,787	1,816	1,953	1,962	7,255	16,603
29. Enforcement of remedies against unfair foreign taxes	DOE		12,560	28,721	31,810	27,259	19,241	9,514	160	-4,828	-8,134	100,351	116,303
30. Reduction of excise tax on firearms silencers	cqbmt 90da DOE	-12	-86	-99	-114	-131	-151	-174	-200	-231	-266	-442	-1,444
31. Modifications to de minimis entry privilege for commercial shipments	transfers after DOE	*Estimate to be Provided by the Congressional Budget Office*											
32. Limitation on drawback of taxes paid with respect to substituted merchandise [31]	cfooa 7/1/26	---	85	879	1,207	1,380	1,524	1,642	1,737	1,810	1,856	3,550	12,118
Part 2 - Removing Taxpayer Benefits for Illegal Immigrants													
1. Permitting premium tax credit only for certain individuals	tyba 12/31/26	*Estimate Included in Item C.2.2. Below*											
2. Certain aliens ineligible for premium tax credit [1][8]	tyba 12/31/26	---	---	5,377	7,777	8,205	8,548	8,927	9,289	9,452	9,632	21,359	67,207
3. Disallowing premium tax credit during periods of Medicaid ineligibility due to alien status[1][8]	tyba 12/31/25	---	3,318	4,762	5,177	5,444	5,641	5,935	6,247	6,460	6,719	18,701	49,703
4. Limiting Medicare coverage of certain individuals	---	*Estimate to be Provided by the Congressional Budget Office*											
5. Excise tax on remittance transfers	ra 12/31/25	---	1,078	2,074	2,377	2,485	2,597	2,711	2,828	2,950	3,075	8,014	22,175
6. Social security number requirement for American Opportunity and Lifetime Learning Credits [1]	tyba 12/31/25	---	20	101	108	110	110	110	110	110	111	339	891
Part 3 - Preventing Fraud, Waste and Abuse													
1. Requiring Exchange verification of eligibility for health plans [1][8]	tyba 12/31/27	---	---	---	3,924	5,711	5,769	5,992	6,238	6,614	7,080	9,635	41,328

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
2. Disallowing premium tax credit in case of certain coverage enrolled in during special enrollment period [1][8]	[32]	---	1,884	3,402	4,678	5,118	4,986	4,966	5,028	5,378	5,594	15,082	41,034
3. Eliminating limitation on recapture of advance payment of premium tax credit [1][33][8]	tyba 12/31/25	---	38	2,222	2,188	2,360	2,404	2,477	2,552	2,594	2,711	6,808	19,547
4. Implementing Artificial Intelligence for the purposes of reducing and recouping improper payments under Medicare	---	*Estimate to be Provided by the Congressional Budget Office*											
5. Enforcement provisions with respect to COVID-related employee retention credits [1]	DOE	945	3,854	1,417	79	---	---	---	---	---	---	6,294	6,294
6. Earned income tax credit reforms	[34]	---	4	565	495	2,581	2,268	2,317	2,315	2,336	2,350	3,645	15,230
7. Task force on the termination of direct file	DOE	*Negligible Revenue Effect*											
8. Postponement of tax deadlines for hostages and individuals wrongfully detained abroad	[35]	*Negligible Revenue Effect*											
9. Termination of tax-exempt status of terrorist supporting organizations	[36]	*Negligible Revenue Effect*											
10. Increase in penalties for unauthorized disclosures of taxpayer information	Dma DOE	*Negligible Revenue Effect*											
11. Restriction on regulation of contingency fees with respect to tax returns, etc.	DOE	*Negligible Revenue Effect*											
12. Interactions of health policies in Subtitle C [1][8][37]	---	---	-158	-2,311	-4,088	-4,631	-4,814	-5,009	-5,240	-5,463	-5,620	-11,189	-37,336
Total of Subtitle C		**1,242**	**78,166**	**186,719**	**214,790**	**236,601**	**247,182**	**249,686**	**257,042**	**224,501**	**224,044**	**717,514**	**1,919,986**
SUBTITLE D - INCREASE IN DEBT LIMIT - MODIFICATION OF LIMITATION ON THE PUBLIC DEBT	---	*No Revenue Effect*											
NET TOTAL		**-85,620**	**-480,677**	**-589,649**	**-575,283**	**-482,651**	**-299,511**	**-242,244**	**-293,863**	**-372,640**	**-396,845**	**-2,213,887**	**-3,818,975**

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. The date of enactment is assumed to be July 1, 2025.

[Legend and Footnotes for 25-1 041 are on the following pages]

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34

Legend and Footnotes for 25-1 041:

Legend for "Effective" column:

apoia = amounts paid or incurred after
aroaa = amounts received or accrued after
cba = coverage beginning after
Cba = construction beginning after
cfooa = claims filed on or after
cma = contributions made after
cqbmt = calendar quarters beginning more than
Cya = calendar years after
da = discharges after
Da = distributions after
dda = decedents dying after
dma = distributions made after
Dma = disclosures made after
DOE = date of enactment
DOI = date of introduction
doia = discharge of indebtedness after
fbca = facilities beginning construction after
fpa = fuel produced after
gma = gifts made after
haa = homes acquired after
iae = inflations adjustment effective
haa = homes acquired after
ie = increase effective
iia = indebtedness incurred after
mba = months beginning after
mi = months in
miaef = modified inflation adjustment effective for
paa = property acquired after
pci = productions commencing in
pma = payment made after
ppisa = property placed in service after
pyba = plan years beginning after
ra = remittances after
spa = services performed after
spo/a = service provided on or after
tyba = taxable years beginning after
tyea = taxable years ending after
vaa = vehicles acquired after
90da = 90 days after

[1] Estimate includes the following outlay effects:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Extension of modification of rates	---	---	1,224	1,224	1,250	1,268	1,300	1,374	1,438	1,491	3,698	10,569
Extension of increased standard deduction and temporary enhancement	---	2,502	13,173	13,022	13,062	11,913	11,993	12,261	12,531	12,892	41,759	103,349
Termination of deduction for personal exemptions	---	---	-16,567	-16,305	-16,340	-17,258	-17,378	-17,533	-17,688	-18,148	-49,212	-137,217
Extension of increased child tax credit, SSN requirements, inflation indexing beginning 2029 (permanent), and temporary enhancement	---	---	26,028	26,345	25,923	20,770	21,928	21,686	21,870	23,110	78,296	187,659
Extension of limitation on deduction for qualified residence interest; extension of limitation on casualty loss deduction; termination of miscellaneous itemized deductions	---	---	-173	-168	-183	-175	-189	-177	-182	-174	-524	-1,421
Enhanced deduction for seniors	---	284	155	153	152	---	---	---	---	---	744	744
Recognizing Indian tribal governments for purposes of determining whether a child has special needs for purposes of the adoption credit	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	1	1
Adoption expenses credit made partially refundable	185	410	293	293	178	179	179	180	181	182	1,360	2,260
Money accounts for growth and advancement (MAGA)	644	5,800	3,218	3,210	---	---	---	---	---	---	12,872	12,872
Individuals entitled to Part A of Medicare by reason of age allowed to contribute to health savings accounts	---	-70	-171	-282	-352	-379	-400	-425	-454	-485	-875	-3,017
Termination of clean hydrogen production credit	---	-8	-55	-144	-276	-464	-591	-823	-1,140	-1,449	-483	-4,949
Enforcement provisions with respect to COVID-related employee retention credit	-236	-963	-354	-20	---	---	---	---	---	---	-1,572	-1,572
Certain aliens ineligible for premium tax credit	---	---	-5,035	-7,282	-7,682	-8,000	-8,356	-8,703	-8,862	-9,040	-19,999	-62,960
Disallowing premium tax credit during periods of Medicaid ineligibility due to alien status	---	-3,307	-4,746	-5,159	-5,426	-5,621	-5,913	-6,224	-6,436	-6,695	-18,638	-49,527
Social security number requirement for American Opportunity and Lifetime Learning Credits	---	---	-44	-47	-47	-47	-46	-45	-45	-45	-138	-366
Requiring Exchange verification of eligibility for health plan	---	---	---	-3,522	-5,126	-5,162	-5,355	-5,562	-5,897	-6,318	-8,648	-36,942
Disallowing premium tax credit in case of certain coverage enrolled in during special enrollment period	---	-1,826	-3,297	-4,534	-4,963	-4,833	-4,810	-4,867	-5,191	-5,404	-14,620	-39,725
Eliminating limitation on recapture of advance payment of premium tax credit	---	-39	-1,973	-1,958	-2,106	-2,132	-2,181	-2,242	-2,264	-2,371	-6,076	-17,264
Interactions of health policies in Subtitle C	---	153	2,230	3,774	4,134	4,302	4,495	4,714	4,934	5,066	10,291	33,804

[Footnotes for 25-1 041 are continued on the following page]

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34

Footnotes for 25-1 041 continued:

[2] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	10	15	16	17	19	21	23	25	27	58	173
On-budget effects		---	7	10	10	11	13	14	15	16	18	38	114
Off-budget effects		---	4	5	6	6	7	7	8	9	9	20	60
[3] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	715	1,461	1,524	1,604	1,686	1,753	1,825	1,901	1,978	5,303	14,446
On-budget effects		---	655	1,338	1,396	1,470	1,547	1,608	1,674	1,745	1,816	4,860	13,250
Off-budget effects		---	60	123	128	133	139	145	150	156	162	444	1,197
[4] Estimate includes policy that retains exclusion under section 217(g) (related to members of the Armed Forces).													
[5] Loss of less than $500,000.													
[6] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	-102	-260	-379	-489	-610	-737	-870	-972	-1,036	-1,229	-5,454
On-budget effects		---	-116	-284	-409	-525	-652	-786	-926	-1,035	-1,107	-1,332	-5,838
Off-budget effects		---	14	24	30	36	42	49	56	63	71	103	384
[7] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	-6	-10	-29	-44	-57	-74	-87	-93	-93	-88	-492
On-budget effects		---	-6	-10	-30	-46	-59	-77	-91	-97	-98	-91	-514
Off-budget effects		---	[29]	[29]	1	2	2	3	4	4	5	3	22
[8] Estimate provided by the Joint Committee on Taxation staff in collaboration with the Congressional Budget Office.													
[9] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	-90	-239	-409	-523	-569	-598	-627	-649	-676	-1,260	-4,380
On-budget effects		---	-36	-101	-177	-230	-252	-265	-277	-283	-292	-544	-1,912
Off-budget effects		---	-54	-138	-232	-293	-317	-333	-350	-366	-384	-717	-2,467
[10] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	-94	-177	-241	-311	-348	-372	-396	-423	-450	-823	-2,811
On-budget effects		---	-70	-131	-178	-230	-257	-274	-292	-311	-331	-608	-2,074
Off-budget effects		---	-25	-46	-63	-81	-91	-97	-104	-111	-119	-215	-737
[11] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	-42	-108	-183	-270	-312	-331	-349	-368	-385	-603	-2,349
On-budget effects		---	-31	-81	-137	-203	-233	-247	-260	-273	-285	-452	-1,751
Off-budget effects		---	-10	-27	-46	-68	-78	-84	-89	-95	-100	-151	-598
[12] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	-200	-523	-899	-1,206	-1,344	-1,443	-1,532	-1,633	-1,759	-2,828	-10,539
On-budget effects		---	-148	-387	-664	-891	-993	-1,065	-1,130	-1,204	-1,296	-2,089	-7,777
Off-budget effects		---	-52	-136	-235	-315	-351	-378	-402	-429	-463	-739	-2,762
[13] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	-67	-160	-197	-212	-225	-239	-251	-262	-267	-636	-1,880
On-budget effects		---	-51	-122	-149	-161	-170	-181	-190	-198	-202	-483	-1,425
Off-budget effects		---	-16	-38	-47	-51	-54	-58	-61	-64	-65	-153	-454
[14] Estimate includes the following budget effects:		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect		---	-22	-39	-42	-42	-43	-43	-44	-44	-45	-146	-363
On-budget effects		---	-6	-10	-30	-30	-31	-31	-31	-31	-32	-104	-258
Off-budget effects		---	-6	-11	-12	-12	-12	-12	-13	-13	-13	-42	-105

[Footnotes for 25-1 041 are continued on the following page]

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34

Footnotes for 25-1 041 continued:

[15] Estimate includes the following budget effects:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect	---	-7	-21	-25	-24	-24	-24	-23	-22	-21	-77	-190
On-budget effects	---	-5	-16	-18	-18	-18	-18	-17	-16	-15	-57	-140
Off-budget effects	---	-2	-5	-7	-6	-6	-6	-6	-6	-6	-20	-50

[16] Estimate includes the following budget effects:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect	---	-327	-593	-695	-740	-788	-843	-894	-946	-993	-2,354	-6,819
On-budget effects	---	-228	-416	-489	-520	-552	-591	-626	-663	-697	-1,652	-4,783
Off-budget effects	---	-99	-177	-206	-220	-236	-252	-268	-283	-296	-702	-2,036

[17] Estimate includes the following budget effects:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect	---	-27	-93	-166	-219	-234	-241	-250	-260	-269	-504	-1,759
On-budget effects	---	-30	-94	-161	-208	-222	-228	-237	-246	-254	-492	-1,680
Off-budget effects	---	3	1	-5	-11	-12	-13	-13	-14	-15	-12	-79

[18] The new $2.5 million limit is reduced (but not below zero) by the amount by which the cost of Code section 179 property placed in service during the taxable year exceeds $4 million.

[19] De minimis rules apply as if included in section 9674 of Public Law No. 117-2, the American Rescue Plan Act (enacted on March 11, 2021). Application to backup withholding applies to calendar years beginning after December 31, 2024.

[20] Estimate is preliminary and subject to change upon the availability of additional data.

[21] The increase in State housing ceiling amounts is effective for calendar years after 2025; the modification of the tax-exempt bond financing requirement is effective for bonds placed in service after taxable years beginning after 12/31/2025; the temporary and rural areas as different development areas effective for bonds placed in service after 12/31/2025.

[22] Prohibition on foreign feedstocks applies to transportation fuel sold after December 31, 2025; changes to determination of emission rates applies to emission rates published for taxable years beginning after December 31, 2025; extension of the clean fuel production credit through December 31, 2031 is effective on the date of enactment; and restrictions relating to prohibited foreign entities apply to taxable years beginning after the date of enactment.

[23] Generally taxable years beginning after date of enactment; material assistance from prohibited foreign entity effective for facilities that begin construction more than one year after date of enactment; foreign-influenced entity restriction on taxpayer and certain payments to prohibited foreign entities effective for taxable years more than two years after date of enactment; repeal of transferability effective for facilities that begin construction more than two years after date of enactment.

[24] Generally taxable years beginning after date of enactment; material assistance from prohibited foreign entity effective for facilities and energy storage technology that begin construction more than one year after date of enactment; foreign-influenced entity restriction on taxpayer and certain payments to prohibited foreign entities effective for taxable years more than two years after date of enactment; recapture effective for taxable years more than two years after date of enactment; transferability effective for facilities and energy storage technology that begin construction more than two years after date of enactment.

[25] Foreign-influenced entity restriction on taxpayer effective for taxable years more than two years after date of enactment; repeal of transferability effective for carbon capture equipment that begins construction more than two years after date of enactment.

[26] Generally taxable years beginning after date of enactment; foreign-influenced entity restriction on taxpayer effective for taxable years more than two years after date of enactment; repeal of transferability effective for electricity produced and sold after December 31, 2027.

[27] Generally taxable years beginning after date of enactment; material assistance from prohibited foreign entity, foreign-influenced entity restriction on taxpayer, and certain payments to prohibited foreign entities effective for taxable years more than two years after date of enactment; repeal of transferability effective for eligible components sold after December 31, 2027.

[28] Foreign-influenced entity restriction on taxpayer effective for taxable years more than two years after date of enactment; repeal of transferability effective for property that begins construction more than two years after date of enactment.

[29] Gain of less than $500,000.

[30] Effective for taxable years ending after the date of the enactment of this Act and for purchases by a business enterprise of voting stock in taxable years beginning after December 31, 2019.

[31] Estimate does not include any possible changes in customs duties which will be provided by the Congressional Budget Office.

[32] Apply with respect to plans enrolled in during calendar months beginning after the third calendar month ending after the date of the enactment of this Act.

[33] Estimate includes the following budget effects:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect	---	38	2,222	2,188	2,360	2,404	2,477	2,552	2,594	2,711	6,808	19,547
On-budget effects	---	38	2,223	2,190	2,363	2,407	2,481	2,556	2,598	2,715	6,814	19,572
Off-budget effects	---	[5]	-1	-2	-3	-3	-4	-4	-4	-4	-6	-25

[Footnotes for 25-1 041 are continued on the following page]

Provision	Effective	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34

Footnotes for 25-1 041 continued:

[34] Earned income tax credit certification program is effective for taxable years beginning after December 31, 2024, with certain provisions phased in over time. The task force provision is effective on the date of enactment. Enhanced Purple Heart recipient benefits are effective for taxable years ending after date of enactment.

[35] Prospective relief is effective for taxable years ending after the date of enactment. Refund and abatement of penalties and fines are effective for taxable years ending on or before the date of enactment.

[36] Effective for designations made after the date of enactment in taxable years ending after such date.

[37] Estimate includes the following budget effects:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-29	2025-34
Total Revenue Effect	---	-158	-2,311	-4,088	-4,631	-4,814	-5,009	-5,240	-5,463	-5,620	-11,189	-37,336
On-budget effects	---	-158	-2,311	-4,088	-4,631	-4,814	-5,010	-5	-3	-2	-11,190	-37,339
Off-budget effects	---	[29]	[29]	[29]	[29]	[29]	1	1	1	1	---	3

Clause 8 of rule XIII of the Rules of the House of Representatives requires that an estimate provided by the Joint Committee on Taxation to the Director of the Congressional Budget Office under section 201(f) of the Congressional Budget Act of 1974 for any major legislation shall, to the extent practicable, incorporate the budgetary effects of changes in economic output, employment, capital stock, and other macroeconomic variables resulting from such legislation. Major legislation is defined as legislation having a gross budgetary effect (before incorporating macroeconomic effects) that is greater in any fiscal year than 0.25 percent of the current projected gross domestic product of the United States for that fiscal year. The bill meets this definition of major legislation.

The staff of the Joint Committee on Taxation is currently analyzing changes in economic output, employment, capital stock, and other macroeconomic variables resulting from the bill for purposes of determining these budgetary effects. However, it was not practicable to complete this analysis, which requires accounting for the effects of each provision in this bill, along with interactions between these provisions, by the filing of this report.

B. Statement Regarding New Budget Authority and Tax Expenditures Budget Authority

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority.

C. Cost Estimate Prepared by the Congressional Budget Office

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause (3)(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, the Committee has requested but not received a cost estimate for this bill from the Director of Congressional Budget Office. The Chairman of the Committee shall cause such estimate and statement to be printed in the Congressional Record upon its receipt by the Committee.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee made findings and recommendations that are reflected in this report.

B. Statement of General Performance Goals and Objectives

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill does not authorize funding, so no statement of general performance goals and objectives is required.

C. Applicability of House Rule XXI, Clause 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that "A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present. The Committee has carefully reviewed the bill, and states that the bill does not provide such a Federal income tax rate increase.

D. Information Relating to Unfunded Mandates

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104–4).

The Committee has determined that the bill does contain Federal mandates on the private sector. The 34 provisions are listed below. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

Subtitle A, Part 1: 1. Termination of deduction for personal exemptions 2. Extension of limitation on deduction for qualified residence interest; extension of limitation on casualty loss deduction; termination of miscellaneous itemized deductions 3. Limitation on tax benefit of itemized deductions 4. Extension of limitation on exclusion and deduction for moving expenses.

Subtitle C, Part 1: 5. Termination of previously-owned clean vehicle credit 6.

Termination of clean vehicle credit 7. Termination of qualified commercial clean vehicles credit 8. Termination of energy efficient home improvement credit 9. Termination of residential clean energy credit 10. Termination of new energy efficient home credit 11. Phase out and restrictions on clean electricity production credit 12. Phase out and restrictions on clean electricity investment credit 13. Restrictions on carbon oxide sequestration credit 14. Phase-out and restrictions on advanced manufacturing production credit 15. Limitation on individual deductions for certain State and local taxes. 16. Excessive employee remuneration from controlled group members and allocation of deduction 17. Expanding application of tax on excess compensation within tax-exempt organizations 18. Modification of the excise tax on net investment income of private colleges and universities 19. Increase in rate of tax on net investment income of certain private foundations 20. Unrelated business taxable income increased by amount of certain fringe benefit expenses for which deduction is disallowed 21. Name and logo royalties treated as unrelated business taxable income 22. Limitation on excess business losses of noncorporate taxpayers 23. 1-percent floor on deductions of charitable corporations made by corporations 24. Enforcement of remedies against unfair foreign taxes 25. Limitation on drawback of taxes paid with respect to substituted merchandise.

Subtitle C, Part 2: 26. Certain aliens ineligible for premium tax credit 27. Disallowing premium tax credit during periods of Medicaid ineligibility due to alien status 28. Excise tax on remittance

transfers 29. Social Security number requirement for American Opportunity and Lifetime Learning Credits.

Subtitle C, Part 3: 30. Requiring Exchange verification of eligibility for health plans 31. Disallowing premium tax credit in case of certain coverage enrolled in during special enrollment period 32. Eliminating limitation on recapture of advance payment of premium tax credit 33. Enforcement provisions with respect to COVID-related employee retention credits 34. Earned income tax credit reforms.

E. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

F. Duplication of Federal Programs

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95–220, as amended by Pub. L. No. 98–169).

G. Tax Complexity Analysis

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (the "IRS Reform Act") requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses.

Pursuant to clause 3(h)(1) of rule XIII of the Rules of the House of Representatives, for each such provision identified by the staff of the Joint Committee on Taxation, a summary description of the provision is provided below along with an estimate of the number and type of affected taxpayers, and a discussion regarding the relevant complexity and administrative issues.

Following the analysis of the staff of the Joint Committee on Taxation are the comments of the IRS and Treasury regarding each provision included in the complexity analysis.

LIST OF PROVISIONS IN THE COMPLEXITY ANALYSIS

SUBTITLE A—MAKE AMERICAN WORKERS AND FAMILIES THRIVE AGAIN

PART 1—PERMANENTLY PREVENTING TAX HIKES ON AMERICAN FAMILIES AND WORKERS

1. SEC. 110001. EXTENSION OF MODIFICATION OF RATES

Summary description of the provision

The provision makes permanent the regular income tax rate schedules for individuals, estates, and trusts enacted by Public Law 115–97. The provision generally modifies the indexing for inflation for bracket thresholds by providing one additional year of inflation in the cost-of-living adjustment, except in the case of the threshold for the 37-percent rate bracket.

Number of affected taxpayers

It is estimated that the provision will affect over 10 percent of individual tax returns.

Discussion

It is not anticipated that individuals will need to keep additional records due to this provision. The provision should not result in an increase in disputes with the IRS, nor will regulatory guidance be necessary to implement the provision. The IRS will not need to modify its forms, publications, or wage withholding schedules, other than to take account of the new inflation indexing for certain bracket thresholds.

2. SEC. 110004. EXTENSION OF INCREASED CHILD TAX CREDIT AND PERMANENT ENHANCEMENT

Summary description of the provision

The provision temporarily increases the maximum child tax credit to $2,500 for taxable years beginning after December 31, 2024, and before December 31, 2028. For taxable years beginning after December 31, 2028, the maximum child tax credit will revert to a permanent amount of $2,000. This amount is indexed for inflation in taxable years beginning after 2028. The provision makes permanent the maximum amount of the refundable additional child tax credit per qualifying child of $1,400 adjusted for inflation. The provision also makes permanent the earned income threshold of $2,500 for purposes of the earned income formula. The provision makes permanent the income phaseout threshold amounts of $400,000 for taxpayers filing jointly and $200,000 for all other taxpayers. Under the provision, the $500 nonrefundable credit for each dependent of the taxpayer other than a qualifying child is made permanent.

Under the provision, the Social Security number (SSN) of the taxpayer, the taxpayer's spouse (if married filing jointly), and the qualifying child must appear on the return. The SSN for each of these individuals must have been issued before the due date of the return. Each SSN also must be issued to a citizen or national of

the United States or pursuant to a provision of the Social Security Act relating to lawful admission for employment in the United States. The provision applies rules similar to the rules of section 32(d), meaning married individuals must file a joint return in order to receive the child tax credit. Marital status is determined under section 7703(a).

Number of affected taxpayers

It is estimated that the provision will affect over 10 percent of individual tax returns.

Discussion

It is not anticipated that individuals will need to keep additional records due to these provisions, since individuals generally already keep their SSNs on file. The IRS will need to update Schedule 8812 and the related instructions to reflect the new requirement that the taxpayer and their spouse (if applicable), in addition to each qualifying child, have work-authorized SSNs in order for the taxpayer to claim the child tax credit. The new SSN and joint return requirements may increase the frequency and duration of disputes between the IRS and taxpayers with respect to child tax credit claims.

3. SEC. 110005. EXTENSION OF DEDUCTION FOR QUALIFIED BUSINESS INCOME AND PERMANENT ENHANCEMENT

Summary description of the provision

The provision permanently extends the section 199A qualified business income deduction, increases the deduction from 20 percent to 23 percent, modifies the limitation rules for certain taxpayers whose income exceeds the threshold amount, expands the types of qualifying income to include dividends from business development companies, and modifies the threshold amount inflation adjustment for taxable years beginning after 2025.

Number of affected taxpayers

It is estimated that the provision will affect over 10 percent of individual tax returns.

Discussion

It is not anticipated that individuals will need to keep additional records due to the provision. The provision may, however, increase the number of questions that taxpayers ask the IRS, such as how to apply the new limitation phase-in amount for taxpayers with taxable income exceeding the threshold amount of $157,500 ($315,000 in the case of a joint return), indexed for inflation. This increased volume of questions could have an adverse impact on other elements of IRS operations, such as levels of taxpayer service in other areas. The IRS will need to add to the package of individual income tax forms a new worksheet so that taxpayers can accurately calculate their qualified business income (taking into account the limitation phase-ins) under the new rules. This worksheet will require a series of calculations.

PART 2—ADDITIONAL TAX RELIEF FOR AMERICAN FAMILIES AND WORKERS

4. SEC. 110112. REINSTATEMENT OF PARTIAL DEDUCTION FOR CHARITABLE CONTRIBUTIONS OF INDIVIDUALS WHO DO NOT ELECT TO ITEMIZE

Section 110112 of the bill reinstates the section 170(p) nonitemizer deduction for charitable contributions for taxable years beginning after December 31, 2024, and before January 1, 2029. The proposal lowers the maximum deduction amount to $300 for taxpayers who are married filing jointly and to $150 for all other taxpayers. The proposal applies to taxable years beginning after December 31, 2024.

PART 3—INVESTING IN HEALTH OF AMERICAN FAMILIES AND WORKERS

5. SEC. 110208. CERTAIN AMOUNTS PAID FOR PHYSICAL ACTIVITY, FITNESS, AND EXERCISE TREATED AS AMOUNTS PAID FOR MEDICAL CARE

Section 110208 of the bill expands the definition of qualified medical expenses for health savings account ("HSA") purposes to include certain sports and fitness expenses paid for the purpose of participating in a physical activity, including (1) membership at a fitness facility and (2) participation or instruction in physical exercise or physical activity, subject to certain restrictions.

The proposal limits distributions from an HSA for sports and fitness expenses for any taxable year to $500 for single taxpayers and $1,000 in the case of a joint or head of household return. These amounts are indexed to inflation. The limit for every month is 1/12th of the relevant total annual amount. The provision is effective for taxable years beginning after December 31, 2025.

Number of affected taxpayers

It is estimated that the provision will affect over 10 percent of taxpayers during the budget window.

Discussion

The IRS will need to modify its forms and publications to reflect the provision. It will need to update information to inform the public about the rules for sports and fitness expenses. In particular, the IRS will need to direct taxpayers to track sports and fitness expenses separately from other HSA spending to account for the provision's monthly and annual limits. Taxpayers may need to keep additional records regarding incurred sports and fitness expenses.

6. SEC. 110210. FSA AND HRA TERMINATIONS OR CONVERSIONS TO FUND HSAS

Section 110210 of the bill permits amounts in a health flexible spending arrangement ("FSA") or health reimbursement arrangement ("HRA") to be rolled over into an HSA if (1) the distribution is made in connection with the employee establishing coverage under a high deductible health plan ("HDHP"), and (2) during the four-year period preceding the establishment of such coverage, the

employee was not covered under an HDHP. Limits apply to the amount that may be rolled over, and the distribution must be reported on Form W–2. In addition, if the qualified HSA distribution is made before the end of the plan year, and the individual remains enrolled in the health FSA or HRA after the distribution, the health FSA or HRA from which the distribution is made must be converted to an HSA-compatible FSA or HRA, as applicable, for the portion of the plan year after the distribution is made. The provision is effective for distributions made after December 31, 2025.

Number of affected taxpayers

It is estimated that the provision will affect over 10 percent of taxpayers during the budget window.

Discussion

Enforcement of the four-year rule may be challenging. In order to determine whether an individual has been covered under an HDHP for the four-year period, the IRS will need to rely on the individual's reporting of this information on the Form 8889, and it will be difficult for the IRS to collect and verify the necessary information for an individual over a period of years.

The IRS will also need to modify its forms and publications to reflect the provision. It will need to issue guidance under the provision, and it may need to make IT programming changes to process form changes. It will need to coordinate with the Social Security Administration on changes to the Form W–2. In addition, the IRS will need to develop a comprehensive communication strategy to ensure that IRS employees and taxpayers understand the change. Taxpayers may need to keep additional records regarding rollovers and conversions of FSAs and HRAs to HSA-compatible arrangements.

7. SEC. 110212. CONTRIBUTIONS PERMITTED IF SPOUSE HAS HEALTH FLEXIBLE SPENDING ARRANGEMENT

Section 110212 of the bill provides that for purposes of determining whether an individual is eligible to contribute to an HSA, coverage under the employee's spouse's health FSA for any plan year of such FSA is disregarded, provided that certain requirements are met. In order to qualify for this exception, the aggregate reimbursements under the health FSA for the plan year must not exceed the aggregate expenses that would be eligible for reimbursement under the FSA if the expenses were determined without regard to any expenses paid or incurred with respect to the otherwise HSA-eligible individual. This provision is effective for plan years beginning after December 31, 2025.

Number of affected taxpayers

It is estimated that the provision will affect over 10 percent of taxpayers during the budget window.

Discussion

The IRS will need to modify its forms and publications to reflect the provision. It will need to update information on its website and provide communications to external stakeholders. The IRS will also

need to issue guidance under the provision, and it may need to make programming changes to process form changes. Additionally, taxpayers enrolled in a spousal FSA may need to keep additional records regarding incurred medical expenses.

8. SEC. 110213. INCREASE IN HEALTH SAVINGS ACCOUNT CONTRIBUTION LIMITATION FOR CERTAIN INDIVIDUALS

Section 110213 of the bill increases the limit on deductions related to aggregate HSA contributions for a year by $4,300 for taxpayers with self-only coverage and by $8,550 for those with family coverage. For eligible individuals with self-only coverage or filing a return as a single filer, married filing separately, or head of household, the increased amount phases out ratably over a range beginning at $75,000 and ending at $100,000 of adjusted gross income. For eligible individuals with family coverage and who are filing as married filing jointly the increased amount phases out ratably over a range beginning at $150,000 and ending at $200,000 of adjusted gross income. All these values are adjusted for inflation. The provision is effective for taxable years beginning after December 31, 2025.

Number of affected taxpayers

It is estimated that the provision will affect over 10 percent of taxpayers during the budget window.

Discussion

The IRS will need to modify its forms and publications to reflect the provision. It will need to update information on its website and provide communications to the public regarding the HSA contribution and deduction limits. It will also need to issue guidance under the provision and may need to make IT programming changes to process form changes. In particular, the IRS will need to amend Form 8889 to account for the increased limit as well as the added complexity of calculating each taxpayer's contribution and deduction limit based on adjusted gross income, health coverage status, and filing status.

SUBTITLE B—MAKE RURAL AMERICA AND MAIN STREET GROW AGAIN

PART 2—ADDITIONAL TAX RELIEF FOR RURAL AMERICA AND MAIN STREET

9. SEC. 111104. REPEAL OF REVISION TO DE MINIMIS RULES FOR THIRD PARTY NETWORK TRANSACTIONS

Summary description of provision

The proposal reverts to the previous *de minimis* reporting exception for third party settlement organizations, and the same threshold the IRS has followed for calendar years 2022 and 2023. A third party settlement organization is not required to report unless the aggregate value of third party network transactions with respect to a participating payee for the year exceeds $20,000 and the aggregate number of such transactions with respect to a participating payee exceeds 200. The proposal also makes a conforming change

to the backup withholding dollar threshold[1733] to align with the restoration of the previous *de minimis* reporting threshold.

Number of affected taxpayers

It is estimated that the provision will affect more than 10 percent of individual or small business tax returns.

Discussion

If greater reporting from unrelated third parties were available, it is possible that the IRS could more readily identify areas of underreported income of the payees. In general, the more payments to which information reporting and/or withholding applies, the greater the improvement in compliance. However, proponents of the provision have noted that if the previous threshold is not reinstated, it could yield to confusion for online platforms and taxpayers with casual or low-level on-line activity, which could result in overreporting of income and therefore overpayment of taxes as well as ineligibility for certain tax benefits. They contend that aggregate reporting on a Form 1099–K of gross proceeds will create confusion for taxpayers who will have to report each sale or transaction independent of others to correctly calculate gain or loss. Proponents further content that the lower threshold may require taxpayers to hire tax professionals and keep onerous records and receipts or may mislead them into thinking the existence of a Form 1099–K represents taxable income they must report.

10. SEC. 111105. INCREASE IN THRESHOLD REPORTING FOR REQUIRING INFORMATION REPORTING WITH RESPECT TO CERTAIN PAYEES

Summary description of provision

The provision changes the information reporting threshold for certain payments to persons engaged in a trade or business[1734] and payments of remuneration for services to $2,000 in a calendar year, with the threshold amount to be indexed annually for inflation in calendar years after 2026. No change is made to the information reporting threshold for direct sales.

The provision also makes a conforming change to the backup withholding dollar threshold[1735] to align with the new $2,000 reporting threshold. Under the provision, both the information reporting thresholds and the backup withholding thresholds are for transactions that equal or exceed $2,000 (indexed for inflation for calendar years after 2026).

Number of affected taxpayers

It is estimated that the provision will affect more than 10 percent of individual or small business tax returns.

Discussion

If greater reporting from unrelated third parties were available, it is possible that the IRS could more readily identify areas of underreported income of the payees. In general, the more payments

[1733] Sec. 3406(b)(6).
[1734] Sec. 6041(a).
[1735] Sec. 3406(b)(6).

to which information reporting and/or withholding applies, the greater the improvement in compliance. However, numerous critics have pointed to the fact that not raising the reporting thresholds for inflation since 1954 poses a disproportionate administrative burden on those required to comply with the reporting obligations, including small businesses. For a small business without sufficient personnel or an automated payroll system, meeting these reporting requirements may be time consuming and complicated. The payer must collect tax identification and other personal information from the payee and must remit a Form 1099 to both the payee and the IRS. Even for businesses with sufficient systems in place, the administrative costs (*e.g.*, printing and mailing) of gathering tax information from a single payee might not justify the compliance gain, especially for low dollar, non-recurring transactions.

SUBTITLE C—MAKE AMERICA WIN AGAIN

PART 1—WORKING FAMILIES OVER ELITES

11. SEC. 112018. LIMITATION ON INDIVIDUAL DEDUCTIONS FOR CERTAIN STATE AND LOCAL TAXES, ETC.

Summary description of the provision

The provision generally limits an individual taxpayer's deduction for State and local taxes, other than property taxes incurred in connection with a trade or business, to $30,000 ($15,000 for a married individual filing separately). This limitation amount is reduced by 20 percent of the excess of the taxpayer's modified adjusted gross income over $400,000 ($200,000 in the case of a married individual filing separately). However, the limitation amount may not be reduced below $10,000 ($5,000 in the case of a married individual filing separately). An exception to this limitation is made for a taxpayer's distributive share of a partnership's or S corporation's State or local income taxes imposed at the entity level if at least 75 percent of the entity's gross receipts are derived from qualified trades or business (within the meaning of section 199A(d)(1)).

The provision modifies the list of items for which a partner of a partnership must separately take into account such partner's distributive share. The provision requires separate accounting of a partner's distributive share of the partnership's foreign income taxes, income taxes paid to U.S. possessions, State and local taxes subject to the deduction limitation, and non- business foreign real property taxes. The provision further denies the partnership a deduction for any such taxes or payments in computing its taxable income. (Similar changes apply to S corporations and their shareholders.)

The provision enacts a new addition to income tax, which is owed by an individual in certain cases when a partnership or S corporation of which the individual is an owner allocates to that individual a disproportionately small share of an entity-level State or local tax payment relative to the individual's share of owner-level tax benefits granted by the State or local jurisdiction on account of the entity-level payment.

The provision requires partnerships and S corporations to report, both on their own returns (Form 1065 and Form 1120–S, respec-

tively) and their reports to owners (Schedule K–1), whether or not they derived any gross receipts (within the meaning of section 448(c)) from specified service trades or businesses (within the meaning of section 199A(d)(2)) in the taxable year.

Number of affected taxpayers

It is estimated that the provision will affect more than 10 percent of individual or small business tax returns.

Discussion

The provision will require certain partnerships and S corporations and their owners to newly keep separate account of certain State and local tax payments. The IRS will need to modify Forms 1065 and 1120–S and the corresponding Schedules K–1 to implement the provision's new separate statement requirements, deduction disallowances, and entity-level gross receipts reporting requirements. The IRS will need to modify its individual income tax forms, instructions, and internal procedures to implement the provision's new deduction limitation and new addition to tax. Enforcement of the new provision is expected to increase the volume of disputes between the IRS and taxpayers, primarily with respect to certain passthrough entity tax payments made to State or local jurisdictions.

PART 2—REMOVING TAXPAYER BENEFITS FOR ILLEGAL IMMIGRANTS

12. SEC. 112105. EXCISE TAX ON REMITTANCE TRANSFERS

Summary description of provision

The proposal generally imposes a five-percent excise tax on any remittance transfer (from a sender to a designated recipient), to be paid by the sender with respect to such transfer. If the sender does not make the excise tax payment at the time of the remittance transfer, and to the extent that such tax is not collected from the sender, the tax is owed by the remittance transfer provider. The excise tax is collected by the remittance transfer provider and remitted to the Secretary of the Treasury.[1736]

The proposal provides two means for an exception from the excise tax for remittance transfers. First, the excise tax on a remittance transfer does not apply if a "verified United States sender"[1737] makes such remittance transfer through a "qualified remittance transfer provider."[1738] Second, the proposal allows for a refundable income tax credit in the amount of the aggregate excise taxes paid by a sender if certain requirements are met, on remittance transfers during the taxable year.

To claim the credit, the sender must include his or her Social Security number (and, if married, that of his or her spouse) on his or her tax return for the relevant taxable year and must dem-

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[1736] For purposes of the proposal, the terms "remittance transfer," "remittance transfer provider," "designated recipient," and "sender" have the same meanings as such terms are used in section 1693o–1 of Title 15 of the United States Code.

[1737] A "verified United States sender" is any sender who is verified by a qualified remittance transfer provider as being a citizen or national of the United States.

[1738] A "qualified remittance transfer provider" is any remittance transfer provider which enters into a written agreement with the Secretary pursuant to which such provider agrees to verify the status of a sender as a citizen or national of the United States.

onstrate, to the satisfaction of the Secretary, that the excise tax with respect to which the tax credit is determined was paid by him or her and is with respect to a remittance transfer for which he or she provided certification and certain information to the remittance transfer provider.

The proposal requires that each remittance transfer provider submit an information return setting forth certain information. Each person required to make a return shall also furnish to each person who has certified an intent to claim the credit a payee statement with: (1) the name and address of the information contact of the required reporting person; and (2) the information provided to the Secretary with respect to such claim.

Number of affected taxpayers

It is estimated that the provision will affect more than 10 percent of individual or small business tax returns.

Discussion

The provision requires new information reporting from remittance transfer providers. In the case of remittance transfers sent by a verified United States sender via a qualified remittance transfer provider, the qualified remittance transfer provider must report the aggregate number and value of such remittance transfers to the IRS. In the case of senders who have certified to a remittance transfer provider an intent to claim the credit with respect to the excise tax on a remittance transfer, the remittance transfer provider must report information to the IRS on such senders and provide a statement to such senders of the information provided to the IRS. Remittance transfer providers must also report to the IRS the excise tax collected and remitted by the remittance transfer provider to the Secretary from senders who either are not United States citizens or nationals or choose not to so verify. In order for a sender who is a United States citizen or national to avoid paying the excise tax, a qualified remittance transfer provider must ascertain such sender's status as a United States citizen or national. For the sender to instead claim a tax credit for excise tax paid, such sender must provide a work-authorized SSN, proof of payment of the excise tax, and if married, must file a joint return on which both spouses provide work-authorized SSNs.

PART 3—PREVENTING FRAUD, WASTE, AND ABUSE

13. SEC. 112207. TASK FORCE ON THE TERMINATION OF DIRECT FILE

The provision directs the Secretary of the Treasury to terminate the IRS Direct File program as soon as practicable, but no later than 30 days after date of enactment.

Out of any money in the Treasury not otherwise appropriated, the provision provides for appropriations for the fiscal year ending September 30, 2026, for necessary expenses of the Department of Treasury to deliver to Congress, within 90 days following the date of enactment, a report on 1) the cost of a new public-private partnership to provide for free tax filing for up to 70 percent of all taxpayers calculated by adjusted gross income to replace free file and any IRS-run direct file programs; 2) taxpayer opinions and pref-

erences regarding a taxpayer-funded, government-run service or a free service provided by the private sector; and 3) assessment of the feasibility of a new approach, how to make the options consistent and simple for taxpayers across all participating providers, how to provide features to address taxpayer needs, and how much money should be appropriated to advertise the new option, up to $15 million, to remain available until September 30, 2026.

Number of affected taxpayers

It is estimated that the provision will affect more than 10 percent of individual or small business tax returns.

Discussion

In the 2024 tax filing season, the voluntary Direct File pilot program was initially launched for taxpayers who were full-year residents in one of 12 States. The scope of the pilot was also limited by the types of income, deductions, adjustments, and credits that were supported. The IRS issued a report on the results of the pilot in May of 2024.[1739] Subsequently, in the 2025 tax filing season, the program was expanded and made available in 25 participating States and for certain types of income, credits, and deductions.

COMMENTS FROM IRS AND TREASURY

DEPARTMENT OF THE TREASURY,
INTERNAL REVENUE SERVICE,
Washington, DC, May 16, 2025.

Mr. THOMAS A. BARTHOLD,
Chief of Staff, Joint Committee on Taxation,
Washington, DC.

DEAR MR. BARTHOLD: I am responding to your letter dated May 14, 2025, in which you requested a complexity analysis related to the "description of the provision for inclusion in the Committee Report for legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14."

Enclosed are the combined comments of the Internal Revenue Service (IRS) and the Treasury Department for inclusion in the complexity analysis.

Our analysis covers the provisions that you identified in your letter:

1. Subtitle A, Part 1, sec. 110001. Extension of modification of rates
2. Subtitle A, Part 1, sec. 110004. Extension of increased child tax credit and permanent enhancement
3. Subtitle A, Part 1, sec. 110005, Extension of deduction for qualified business income and permanent enhancement
4. Subtitle A, Part 2, sec. 110112. Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize

[1739] Department of the Treasury and Internal Revenue Service, *"IRS Direct File Pilot Program, Filing Season 2024 After Action Report,"* Publication 5969 (5–2024) Catalog Number 94963W, May 3, 2024.

5. Subtitle A, Part 3, sec. 110208. Certain Amounts Paid for Physical Activity, Fitness, and Exercise Treated as Amounts Paid for Medical Care
6. Subtitle A, Part 3, sec. 110210. FSA and HRA terminations or conversions to fund HSAs
7. Subtitle A, part 3, sec. 110212. Contributions permitted if spouse has health Flexible Spending Arrangement
8. Subtitle A, part 3, sec. 110213. Increase in Health Savings Account Contribution Limitation for Certain Individuals
9. Subtitle B, Part 2, sec. 111104. Repeal of revision to de minimis rules for third party network transactions
10. Subtitle B, Part 2, sec. 111105. Increase in threshold reporting for requiring information reporting with respect to certain payees
11. Subtitle C, Part 1, sec. 112018. Limitation on individual deductions for certain State and local taxes, etc.
12. Subtitle C, Part 2, sec. 112105. Excise tax on remittance transfers
13. Subtitle C, Part 3, sec. 112207. Task force on the termination of Direct File

Please note that for purposes of this complexity analysis, IRS staff assumed timely enactment of this legislation. If legislation is not enacted before the end of the year, there would be complexity for the IRS and for taxpayers that is not addressed in this response.

Our comments are based on the description of the provisions provided in your letter. This analysis does not include the administrative cost estimates for the changes that would be required. Due to the short turnaround time, our comments are provisional and subject to change upon a more complete and in-depth analysis of the provisions.

I hope this information is helpful. If you have any questions, please feel free to contact me, or your staff may contact Amy Klonsky, National Director, Legislative Affairs, at 202–317–6985.

Sincerely,

EDWARD T. KILLEN,
Acting Chief Tax Compliance Officer.

Enclosure.

COMPLEXITY ANALYSIS OF BUDGET RECONCILIATION

LEGISLATIVE RECOMMENDATIONS

1. Subtitle A, Part 1, sec. 110001. Extension of modification of rates

Section 110001 of the bill makes permanent the regular income tax rate schedules for individuals, estates, and trusts enacted by Public Law 115–97. The proposal generally modifies the indexing for inflation for bracket thresholds by providing one additional year of inflation in the cost-of-living adjustment. Under the proposal, the cost-of-living adjustment for the regular income tax brackets for 2026 is generally the percentage by which the chained CPI for 2025 exceeds the chained CPI for 2016. The result is that the bracket thresholds are larger than they would otherwise be absent this additional year of inflation. However, the dollar amount at which the

37-percent rate bracket begins and the 35-percent rate bracket ends (the "37-percent rate bracket threshold") is not provided this additional year of inflation in the cost-of-living adjustment. Thus, the cost-of-living adjustment for the 37-percent rate bracket threshold for 2026 is the percentage by which chained CPI for 2025 exceeds the chained CPI for 2017.

IRS and Treasury Comments

- Forms, instructions, and publications would need to be revised.
- Programming changes will be needed to update systems for the new tax rates.

2. Subtitle A, Part 1, sec. 110004. Extension of increased child tax credit and permanent enhancement

Section 110004 of the bill temporarily increases the maximum child tax credit to $2,500 for taxable years beginning after December 31, 2024, and before December 31, 2028. For taxable years beginning after December 31, 2028, the maximum child tax credit will revert to a permanent amount of $2,000. This amount is indexed for inflation in taxable years beginning after 2028. The inflation adjustment is the percentage by which chained CPI for the preceding calendar year exceeds the chained CPI for 2024. The proposal makes permanent the maximum amount of the refundable additional child tax credit per qualifying child of $1,400 adjusted for inflation ($1,700 in 2025). The proposal also makes permanent the earned income threshold of $2,500 for purposes of the earned income formula. The proposal treats any amount treated as a dividend received under section 501(d) as earned income which is taken into account in computing taxable income for the taxable year. The proposal makes permanent the income phaseout threshold amounts of $400,000 for taxpayers filing jointly and $200,000 for all other taxpayers. Under the proposal, the $500 nonrefundable credit for each dependent of the taxpayer other than a qualifying child is permanent. This credit is not adjusted for inflation.

Under the proposal, the SSN of the taxpayer, the taxpayer's spouse (if married filing jointly), and the qualifying child must appear on the return. The SSN for each individual must be issued before the due date of the return. Each SSN also must be issued to a citizen or national of the United States or pursuant to a provision of the Social Security Act relating to the lawful admission for employment in the United States. The proposal applies rules similar to the rules of section 32(d), meaning married individuals must file a joint return in order to receive the child tax credit. Marital status is determined under section 7703(a). Under the proposal, an individual is not treated as married if the individual (1) is married and does not file a joint return for the taxable year, (2) resides with a qualifying child for more than one-half of the taxable year, and (3) either does not have the same principal place of abode as their spouse during the last six months of the taxable year or has a decree, instrument, or agreement (other than a decree of divorce) described in section 121(d)(3)(C) with respect to their spouse and is not a member of the same household of their spouse by the end of the taxable year.

IRS and Treasury Comments

- Forms, instructions and publications that have already been released to the public in draft will need to be revised.
- Additional documentation may need to be retained by married taxpayers may need to retain documentation substantiating that they meet the requirements to claim the credit on a separate return, including documentation that they lived separately from their spouse for the last six months of the year.
- Programming changes will be needed.
- Internal Revenue Manuals and training materials will need to be updated.
- External communications with the public would need updating and sharing.
- IRS.gov updates and digital tools would need to be provided.

3. Subtitle A, Part 1, sec. 110005, Extension of deduction for qualified business income and permanent enhancement

The proposal permanently extends the section 199A deduction, increases the section 199A deduction to 23 percent, modifies the phase-in rules for certain taxpayers whose income exceeds the threshold amount, expands the type of qualifying to include dividends from business development companies, and modifies the threshold amount inflation adjustment for taxable years beginning after 2025.

IRS and Treasury Comments

- Forms, instructions, and publications would need to be updated.
- IT programming would need to be reviewed and potentially updated to reflect the changes.
- Internal Revenue Manuals and employee training would need to be updated.
- Training materials for new employees would need to be reviewed and potentially updated.
- Internal communications would be shared with all employees.
- External communications would be necessary to communicate changes.
- IRS.gov updates would need to be provided.
- IRS efforts to identify areas of noncompliance would be challenging due to the new phase-in rules that can only be verified through an examination.

4. Subtitle A, Part 2, sec. 110112. Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize

Section 110112 of the bill reinstates the section 170(p) nonitemizer deduction for charitable contributions for taxable years beginning after December 31, 2024, and before January 1, 2029. The proposal lowers the maximum deduction amount to $300 for taxpayers who are married filing jointly and to $150 for all other taxpayers. The proposal applies to taxable years beginning after December 31, 2024.

IRS and Treasury Comments

- Forms, instructions and publications will need to be revised.
- Programming changes will be needed.

5. Subtitle A, Part 3, sec. 110208. Certain Amounts Paid for Physical Activity, Fitness, and Exercise Treated as Amounts Paid for Medical Care

Section 110208 of the bill expand the definition of qualified medical expenses for health savings account ("HSA") purposes to include certain sports and fitness expenses paid for the purpose of participating in a physical activity, including (1) membership at a fitness facility and (2) participation or instruction in physical exercise or physical activity, subject to certain restrictions.

The proposal limits distributions from an HSA for sport and physical activity expenses for any taxable year to $500 for single taxpayers and $1,000 in the case of a joint or head of household return. These amounts are indexed to inflation. The limit for every month is 1/12th of the relevant total amount. The provision is effective for taxable years beginning after December 31, 2025.

IRS and Treasury Comments

- Forms, instructions and publications will need to be revised.
- Taxpayers may need to retain additional documentation regarding their gym memberships and instructional physical activities to substantiate that they satisfy the requirements for excluding these distributions.
- Programming would need to be reviewed to potentially update.
- Internal Revenue Manual and training materials will need to be updated.
- External communications with the public will need updating.
- IRS.gov will need updating and digital tools would need to be provided.

6. Subtitle A, Part 3, sec. 110210. FSA and HRA terminations or conversions to fund HSAs

Section 110210 of the bill permits amounts in a health flexible spending arrangement ("FSA") or health reimbursement arrangement ("HRA") to be rolled over into an HSA if (1) the distribution is made in connection with the employee establishing coverage under a high deductible health plan ("HDHP"), and (2) during the four-year period preceding the establishment of such coverage, the employee was not covered under an HDHP. Limits apply to the amount that may be rolled over, and the distribution must be reported on Form W–2. In addition, if the qualified HSA distribution is made before the end of the plan year, and the individual remains enrolled in the health FSA or HRA after the distribution, the health FSA or HRA from which the distribution is made must be converted to an HSA-compatible FSA or HRA, as applicable, for the portion of the plan year after the distribution is made. The provision is effective for distributions made after December 31, 2025.

IRS and Treasury Comments

- Forms, instructions and publications will need to be revised

• Taxpayers may need to retain additional records, such as documentation of their health coverage during the four-year period preceding the establishment of the rollover.
• IRS programming changes will be needed. Also, other agencies that receive W–2 information, such as SSA, may need to update their systems.
• Internal Revenue Manual and training materials will need to be updated.
• External communications with the public will need updating.
• IRS.gov will need updates and digital tools would need to be provided.

7. Subtitle A, part 3, sec. 110212. Contributions permitted if spouse has health Flexible Spending Arrangement

Section 110212 of the bill provides that for purposes of determining whether an individual is eligible to contribute to an HSA, coverage under the employee's spouse's health FSA for any plan year of such FSA is disregarded, provided that certain requirements are met. In order to qualify for this exception, the aggregate reimbursements under the health FSA for the plan year must not exceed the aggregate expenses that would be eligible for reimbursement under the FSA if the expenses were determined without regard to any expenses paid or incurred with respect to the otherwise HSA-eligible individual. This provision is effective for plan years beginning after December 31, 2025.

IRS and Treasury Comments

• Instructions and publications will need to be updated
• Taxpayers may need to retain additional documentation regarding the aggregate reimbursements under the health FSA for the plan year and any expenses paid or incurred with respect to the otherwise HSA-eligible individual that may have been eligible for reimbursement.
• Programming will need to be reviewed for potential changes.
• Internal Revenue Manual and training materials will need updating.
• External communication with the public will need updating:
• IRS.gov updates needed and digital tools will need to be provided.

8. Subtitle A, part 3, sec. 110213. Increase in Health Savings Account Contribution Limitation for Certain Individuals

Section 110213 of the bill increases the limit on deductions related to aggregate HSA contributions for a year by $4,300 for taxpayers with self-only coverage and by $8,550 for those with family coverage. For eligible individuals with self-only coverage or filing a return as a single filer, married filing separately, or head of household, the increased amount phases out ratably over a range beginning at $75,000 and ending at $100,000 of adjusted gross income. For eligible individuals with family coverage and who are filing as married filing jointly the increased amount phases out ratably over a range beginning at $150,000 and ending at $200,000 of adjusted gross income. All these values are adjusted for inflation. The provi-

sion is effective for taxable years beginning after December 31, 2025.

IRS and Treasury Comments

- Instructions and publications will need to be updated.
- Recordkeeping:
  - Taxpayers may need to retain additional documentation regarding their gym memberships and instructional physical activities to substantiate that they satisfy the requirements for excluding these distributions.
- Internal Revenue Manuals and training materials will need updating.
- External communications with the public will need updating.
- IRS.gov updates needed and digital tools will need to be provided.

9. Subtitle B, Part 2, sec. 111104. Repeal of revision to de minimis rules for third party network transactions

The proposal reverts to the previous *de minimis* reporting exception for third party settlement organizations, and the same threshold the IRS has followed for calendar years 2022 and 2023. A third party settlement organization is not required to report unless the aggregate value of third party network transactions with respect to a participating payee for the year exceeds $20,000 and the aggregate number of such transactions with respect to a participating payee exceeds 200. The proposal also makes a conforming change to the backup withholding dollar threshold [1] to align with the restoration of the previous *de minimis* reporting threshold.

IRS and Treasury Comments

- Reduces payor filing burden (for some payors, the reduction in burden could be significant).
- Increases taxpayer recordkeeping obligations because the information returns would not cover all transactions and income.
- Forms, instructions and publications would need to be updated.
- IT programming would need to be reviewed and potentially updated to reflect the new reporting requirements.
- Internal Revenue Manuals and employee training would need to be updated.
- Training materials for new employees would need to be reviewed and potentially updated.
- Internal communications would be shared with all employees.
- External communications would be necessary to communicate changes. Communication also would need to address inaccurate perceptions that the change to the reporting requirements changes the tax consequences of any taxable amounts not reported to IRS.
- IRS.gov updates would need to be provided.
- IRS efforts to identify income underreporting and income tax nonfilers could be affected, due to reduced income visibility to IRS.

[1] Sec. 3406(b)(6).

10. Subtitle B, Part 2, sec. 111105. Increase in threshold reporting for requiring information reporting with respect to certain payees

The proposal changes the information reporting threshold for certain payments to persons engaged in a trade or business [2] and payments of remuneration for services [3] to $2,000 in a calendar year, with the threshold amount to be indexed annually for inflation in calendar years after 2026. The proposal also makes a conforming change to the backup withholding dollar threshold [4] to align with the new $2,000 reporting threshold. Under the proposal, both the information reporting thresholds and the backup withholding thresholds are for transactions that equal or exceed $2,000 (indexed for inflation for calendar years after 2026).

IRS and Treasury Comments

- Reduces payor filing burden (for some payors, the reduction in burden could be significant).
- Increases taxpayer recordkeeping obligations because the information returns would not cover all transactions and income.
- Forms, instructions, and publications would need to be updated.
- IT programming would need to be reviewed and potentially updated to reflect the new reporting requirements.
- Internal Revenue Manuals and employee training would need to be updated.
- Training materials for new employees would need to be reviewed and potentially updated.
- Internal communications would be shared with all employees.
- External communications would be necessary to communicate changes. Communication also would need to address that the change to the reporting requirements does not change the tax consequences of any taxable amounts not reported to IRS.
- IRS.gov updates would need to be provided.
- IRS efforts to identify income underreporting and income tax nonfilers could be affected, due to reduced income visibility to IRS.

11. Subtitle C, Part 1, sec. 112018. Limitation on individual deductions for certain State and local taxes, etc.

Section 112018 of the bill removes the temporary limitation, enacted by Public Law 115–97, on individual State and local and foreign tax deductions taken under section 164. In its place, the proposal modifies section 275, which denies deductions for certain taxes, to permanently deny individuals (along with trusts, estates, partnerships, and S corporations) a deduction for certain State and local and foreign taxes. The proposal denies a deduction for "disallowed foreign real property taxes," defined as foreign real property taxes other than those paid or accrued in carrying on a trade or business or an activity described in section 212 (relating to expenses for the production of income). The proposal also limits the

[2] Sec. 6041(a).
[3] Sec. 6041A(a),
[4] Sec. 3406(b)(6).

deduction for the taxpayer's aggregate of "specified taxes," defined to comprise: (i) State and local and foreign property taxes, other than disallowed foreign real property taxes and State and local property taxes paid or accrued in a trade or business or an activity described in section 212, (ii) State and local income, war profits, excess profits, and general sales taxes, other than income, etc. taxes paid or accrued by a partnership or S corporation in carrying on a qualified trade or business (within the meaning of section 199A(d)(1)) if at least 75 percent of the gross receipts (within the meaning of section 448(c)) of all trades or businesses under common control with such partnership or S corporation are derived from qualified trades or business, (iii) real estate taxes paid by a cooperative housing corporation, and (iv) "substitute payments."

A substitute payment is generally defined as any amount (other than a tax already defined as a specified tax) paid, incurred, or accrued to a State or local jurisdiction if, by reason of the payment, one or more persons are entitled to "specified tax benefits" equal to or exceeding 25 percent of the payment. Specified tax benefits are benefits determined with respect to such payment and allowed against, or determined by reference to, a tax already defined as a specified tax. In determining whether a payment is a substitute payment, the following two assumptions apply: First, the value of a tax credit or refund is assumed to be the amount of such credit or refund, and the value of a tax deduction or exclusion is assumed to be 15 percent of the amount of such deduction or exclusion. Second, in the case of a payment by a partnership or S corporation, it is assumed that all the owners of such entity are individuals resident in the jurisdiction of the entity or entities providing the specified tax benefits (and otherwise eligible for such benefits).

The individual deduction for the aggregate of specified taxes is limited to $30,000 ($15,000 in the case of a married individual filing a separate return). This limitation amount is reduced by 20 percent of the excess of the taxpayer's modified adjusted gross income over $400,000 ($200,000 in the case of a married individual filing separately). However, the limitation amount may not be reduced below $10,000 ($5,000 in the case of a married individual filing separately). Modified adjusted gross income is defined as adjusted gross income increased by any exclusion for foreign earned income, foreign housing costs, and income from sources within certain U.S. possessions.

The proposal modifies the list of items for which a partner of a partnership must separately take into account such partner's distributive share. The proposal requires separate accounting of a partner's distributive share of the partnership's: (i) foreign income, war profits, and excess profits taxes, (ii) income, war profits, and excess profits taxes paid or accrued to U.S. possessions, (iii) specified taxes (other than income, etc. taxes paid or accrued to U.S. possessions), and (iv) disallowed foreign real property taxes. The proposal further denies the partnership a deduction for any such taxes or payments in computing its taxable income. (Similar changes apply to S corporations and their shareholders.)

The proposal requires partnerships and S corporations to report, both on their own returns (Form 1065 and Form 1120–S, respectively) and their reports to owners (Schedule K–1), whether or not

they derived any gross receipts (within the meaning of section 448(c)) from specified service trades or businesses (within the meaning of section 199A(d)(2)) in the taxable year.

IRS and Treasury Comments

- Forms, instructions and publications will need updating. Recordkeeping: We do not anticipate that taxpayers would need to retain any additional records in connection with this proposal.
- Programming changes will be needed.
- Internal Revenue Manual and training materials will need updating.
- External communication with the public will need updating.
- IRS.gov will need updates and digital tools will need to be provided.

12. Subtitle C, Part 2, sec. 112105. Excise tax on remittance transfers

The proposal generally imposes a five-percent excise tax on any remittance transfer (from a sender to a designated recipient), to be paid by the sender with respect to such transfer. If the sender does not make the excise tax payment at the time of the remittance transfer, and to the extent that such tax is not collected from the sender, the tax is owed by the remittance transfer provider. The excise tax is collected by the remittance transfer provider and remitted to the Secretary of the Treasury.[1]

The proposal provides two means for an exception from the excise tax for remittance transfers. First, the excise tax on a remittance transfer does not apply if a "verified United States sender"[2] makes such remittance transfer through a "qualified remittance transfer provider."[3] Second, the proposal allows for a refundable income tax credit in the amount of the aggregate excise taxes paid by a sender, if certain requirements are met, on remittance transfers during the taxable year. To claim the credit, the sender must include his or her social security number (and, if married, that of his or her spouse) on his or her tax return for the relevant taxable year and must demonstrate, to the satisfaction of the Secretary, that the excise tax with respect to which the tax credit is determined was paid by him or her and is with respect to a remittance transfer for which he or she provided certification and certain information to the remittance transfer provider.

The proposal requires that each remittance transfer provider submit an information return setting forth certain information. Each person required to make a return shall also furnish to each person who has certified an intent to claim the credit a payee statement with: (1) the name and address of the information contact of the required reporting person; and (2) the information provided to the Secretary with respect to such claim.

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[1] For purposes of the proposal, the terms "remittance transfer," "remittance transfer provider," "designated recipient," and "sender" have the same meanings as such terms are used in section 1693o–1 of Title 15 of the United States Code.

[2] A "verified United States sender" is any sender who is verified by a qualified remittance transfer provider as being a citizen or national of the United States.

[3] A "qualified remittance transfer provider" is any remittance transfer provider which enters into a written agreement with the Secretary pursuant to which such provider agrees to verify the status of a sender as a citizen or national of the United States.

IRS and Treasury Comments

- Increases burden on remittance transfer providers by requiring:
  - New quarterly filing requirement,
  - New information reporting requirement, and
  - If electing into an agreement with Treasury, conducting identification verification at the time of remittance transfer.
- Requires development of verification agreement for the remittance transfer providers to validate the senders' status. This would include outlining the acceptable forms for validation and developing training for the remittance transfer providers.
- Forms, instructions and publications will need updating
- Requires a new information reporting return and instructions that captures the following:
  - in the case of remittance transfers sent by a verified United States sender via a qualified remittance transfer provider, the aggregate number and value of such remittance transfers
  - in the case of senders who have certified to the remittance transfer provider an intent to claim the credit with respect to the excise tax on a remittance transfer,
    - the name, address, and social security number of the senders,
    - the amount of excise tax paid by such senders, and
    - the amount of excise tax remitted by the remittance transfer provider to the Secretary with respect to such remittance transfers; and
  - with respect to all other remittance transfers,
    - the aggregate amount of excise tax paid with respect to such transfers, and
    - the aggregate amount of tax remitted by the remittance transfer
- Programming changes will be needed.
- Internal Revenue Manuals and employee training would need to be updated.
- External communications would be necessary to communicate changes.
- IRS.gov updates would need to be provided.

13. Subtitle C, Part 3, sec. 112207. Task force on the termination of Direct File

The proposal directs the Secretary of the Treasury to terminate the IRS Direct File program as soon as practicable, but no later than 30 days after date of enactment.

The proposal provides appropriations for necessary expenses of the Department of Treasury to deliver to Congress, within 90 days following the date of enactment, a report on the cost of a new public-private partnership to provide for free tax filing for up to 70 percent of all taxpayers; taxpayer opinions and preferences regarding a taxpayer-funded, government-run service or a free service provided by the private sector; assessment of the feasibility of a new approach, how to make the options consistent and simple for taxpayers across all participating providers, provide features to ad-

dress taxpayer needs, and how much money should be appropriated to advertise the new option.

IRS and Treasury Comments

Task Force on the Termination of Direct File:

- Taxpayers will need to be given advance notice of the termination of the program in order to timely submit any returns currently in process.
- The ability to create or submit a new return will need to be turned off. However, access to submitted returns will need to remain available to ensure prior Direct File users are able to access their returns. This will require some programming changes.
- There will be minimal changes to instructions, publications and Internal Revenue Manuals.
- Internal communications would need to be shared with all employees
- External communications would be necessary to address the timing of the termination of the program.
- IRS.gov updates will be needed to a number of sites, in addition to the Direct File homepage.
- Tax forms, instructions, and publications would need to be revised to remove references to Direct File.

VI. CHANGES IN EXISTING LAW PROPOSED BY THE BILL, AS REPORTED

A. CHANGES IN EXISTING LAW PROPOSED BY THE BILL, AS REPORTED

Pursuant to clause 3(e) of rule XIII of the Rules of the House of Representatives, the Committee requested, but did not receive the text of changes in existing law made by the committee print, as reported.

VII. DISSENTING VIEWS

DISSENTING VIEWS ON LEGISLATIVE PROPOSALS TO COMPLY WITH THE RECONCILIATION DIRECTIVE INCLUDED IN SECTION 2001 OF THE CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2025, H. CON. RES. 14.

Committee Democrats oppose the budget reconciliation legislative recommendations related to tax and health. This bill represents a trillion-dollar giveaway to the ultra-wealthy and big corporations while ripping health care away from millions of hard-working Americans. It guts the investments Democrats created in the Inflation Reduction Act (IRA) to bring hundreds of thousands of manufacturing jobs to America while ensuring access to affordable health care—and all to reward the richest few.

In 2017, Republicans passed their Tax Scam on the promise that it would pay for itself, raise wages, and help working families. None of that happened. Instead, it exploded the deficit, worsened inequality, and left everyday Americans behind.

This bill is old wine in new bottles: Once again, Republicans are promising that massive tax cuts for the top will lead to economic growth, higher wages and more jobs. None of this could be further

from the truth. Don't take our word for it, take the words of the right-leaning Tax Foundation, which found that this bill would actually shrink wages and shrink our capital stock. In fact, they concluded that, despite the "growth" our colleagues on the other side of the aisle have claimed would result from passage of this legislation, "American incomes measured by GNP would increase by less than 0.05 percent." [1]

This is the brass ring our Republican colleagues are reaching for: ineffective, deficit-exploding tax cuts for the top, financed by taking away health care for hard-working Americans.

BOONDOGGLE FOR BILLIONAIRES

Make no mistake about it, despite our colleagues' loud protests, this bill is a massive giveaway to the top. The Joint Committee's distribution tables don't lie:

- In 2027, the average tax cut for a taxpayer making over $1 million per year is $81,500.
- In that same year, the average tax cut for a taxpayer making under $50,000 per year is $265.

That means the average person making over $1,000,000 gets more than 300 times what the average person making under $50,000 gets. In the meantime, the data shows that taxpayers earning under $30,000 per year see an aggregate tax hike of $5 billion by 2029.

Our colleagues always reply with the same tired talking points. They protest "of course we cut more taxes for the rich, they pay the most in taxes." But, as multiple Democratic members of the Committee pointed out at markup, no rule says you have to design tax cuts the way Republicans have chosen to. There is much freedom in legislative design. Our Republican colleagues even rejected the President's overtures, as well as multiple Democratic amendments, to let the tax cuts expire only for the richest. They rejected amendments that would roll back the tax cuts only on taxpayers making $400,000 or more per year. Then, they rejected the same amendment at $10 million. Then $100 million. And in fact they wouldn't allow tax cuts to expire for people who make $1 billion per year. At least they are consistent.

WHILE THEY SHOWER THE WEALTHY WITH CASH, REPUBLICANS ARE MAKING LIFE HARDER FOR ORDINARY PEOPLE

In order to "pay for" their billionaire boondoggle, Republicans want to gut over a trillion dollars from the Affordable Care Act (ACA), Medicare, Medicaid and SNAP, all while doing nothing to stop the President's chaotic and costly tariffs. Republicans could have chosen to lower costs for families. They could have extended the expanded Child Tax Credit that cut child poverty in half. They could have made ACA tax credits permanent. They could have made meaningful progress with long-term care or housing. Instead, they chose to give trillions of dollars to those who need the help the least.

All the while their child tax credit rules will prevent 2 million citizen children from receiving the child tax credit, and another 17

[1] https://taxfoundation.org/research/all/federal/big-beautiful-bill-house-gop-tax-plan/.

million citizen children to lose out on part of the credit because their households don't earn enough money. At the same time, in their never-ending quest to drown the neediest in paperwork requirements, Republicans have proposed new "certification requirements" on the EITC, the nation's largest anti-poverty program. This will doubtlessly cause eligible taxpayers to forgo the credit and will impose yet even more time and paperwork burdens on those who continue to do so.

Additionally, this legislation will give rise to more Americans losing health coverage than any other law in our history. According to the nonpartisan Congressional Budget Office, 14 million will lose health coverage. That's not fiscal responsibility—it's cruelty masquerading as policy.

REPUBLICAN HEALTH PROVISIONS: HIGHER COSTS, LESS CARE, MORE UNINSURED

The health care provisions of this bill are a continuation of Republicans' ongoing quest to attack and destroy the Affordable Care Act, and in so doing take health care away from millions of Americans. According to the nonpartisan Congressional Budget Office (CBO), the Republican tax bill will cause more than 13.7 million individuals to lose their health insurance coverage. Its nearly $1 trillion dollars in cuts to health care—including nearly three quarters of a trillion dollars from Medicaid alone—would precipitate the largest termination of health coverage in the history of the U.S.

Six million Americans—nearly 25 percent of all ACA marketplace enrollees—will lose coverage from Republican policies sabotaging the ACA. In total, these coverage losses represent a staggering *43 percent increase* in the number of uninsured Americans. Together with the legislation considered in the Energy and Commerce Committee, these provisions would cut $324 billion from the ACA Marketplaces, and together with ending the enhanced tax credits, would result in a total cut of $682 billion to the ACA. Failure to extend the enhanced tax credits is a glaring omission in the Republican bill that results in an enormous tax increase on the millions of Americans who purchase their own health insurance coverage through the ACA Marketplaces.

- Around one-third of Marketplace enrollees are small businesses or self-employed individuals.
- Nearly 1 in 6 non-elderly people in the U.S. had some form of ACA coverage in 2024 (but more than 1 in 5 in seven states: Louisiana, Oregon, Florida, New York, California, New Mexico, and Vermont).
- In 2024, more than half of the enrollees in the ACA marketplace were women—totaling 11.2 million.
- Nearly 5.5 million adults aged 55 and over enrolled in coverage through the ACA in 2024—24 percent of total enrollment.

The enhanced health care tax credits sunset at the end of 2025, like the rest of the individual tax provisions in the Republican bill. Yet the Republicans unanimously opposed one amendment to add the enhanced tax credits to the bill and another amendment to extend the credits only for children and pregnant women. Not one Re-

publican was willing to stand up in support of lowering health costs.

This year, a record 24.2 million Americans purchased their own coverage on the ACA marketplaces, and the vast majority—around 22 million—receive tax credits to lower their costs. These tax credits have resulted in historic lows in the rate of uninsurance nationwide and historic savings on health insurance premiums. CBO projects that failing to extend these vital tax credits will result in insurance premiums increasing by nearly eight percent each year. This means nearly 24 million working Americans will see *a tax increase* for health care at the same time millionaires will see *an average tax cut of almost $80,000.*

The Republican bill goes even further to sabotage the ACA, including sneaky technical policies that add hours of unnecessary red tape for those who need coverage and penalize Americans just for working extra hours in a year.

First, the Republican bill ends the practice of auto-reenrollment. Typically, Americans in private insurance remain enrolled from year to year unless something changes. This bill forbids that approach, requiring working families, small business owners, and the self-employed to resubmit paperwork every single year they want to maintain health care coverage, even if nothing has changed, just to prove their continued eligibility. The bill also blocks states from implementing policies to make enrollment easier. The State of Washington estimates that 42 percent of their Marketplace enrollees would be affected by this policy. The State of California estimates that this provision will likely discourage younger, healthier people from enrolling, undermining market stability and driving costs up for everyone. While Republicans are pleased to heap bureaucracy on middle class Americans, they voted down an amendment to apply similar paperwork to people earning more than $10 million a year to get their breaks. Republicans want different rules for the wealthy than for ordinary Americans.

This legislation also eliminates the repayment and reconciliation protections for consumers in current law (also called "true-up"), penalizing those who have income fluctuations during the year, including those who work extra hours, get a bonus, or experience other unforeseen life events. This change will result in many Americans being forced to repay sums that even exceed their increase in income. It is a disincentive for individuals with unstable incomes to seek coverage and is a penalty against those who are able to work additional hours. This policy alone is another $20 billion tax on working Americans who purchase their own health coverage in the Marketplace. The Center on Budget and Policy Priorities notes, "The Republican proposal would eliminate this repayment cap, penalizing people for mid-year changes to their household or financial situation that are frequently impossible to predict and subjecting them to large repayment amounts—in some cases raising their taxes by more than a thousand dollars unexpectedly." [2]

Finally, the bill targets the lowest income workers with a provision that specifically blocks workers earning less than 150 percent

[2] https://www.cbpp.org/blog/republican-proposals-would-raise-taxes-for-enrollees-in-affordable-care-act-marketplaces.

of the federal poverty level (an annual income of $23,475 for an individual, $48,225 for a family of four) from being able to access a Special Enrollment Period (SEP) to sign up for affordable coverage through the ACA as soon as they learn they are eligible. This SEP has helped millions of individuals overcome challenges enrolling in health coverage, many of whom face greater employment, income, and household volatility and may not be aware of their eligibility to enroll in Marketplace coverage during the Open Enrollment Period. It would force individuals to remain uninsured for many months. During the mark up, Republicans had the gall to accuse these workers who have fluctuating incomes of committing fraud—showing just how little they understand or care about these workers.

These new paperwork burdens are layered on top of the Republicans gutting by 90 percent the ACA navigator program that helps consumers when they enroll in health plans and making draconian cuts to the Internal Revenue Service, making it more difficult for consumers to resolve issues needed to enroll in health coverage. Regarding similar provisions in the Energy and Commerce-marked legislation, the National Association of Insurance Commissioners noted, "Resulting coverage losses would compromise the integrity and health of the risk pool, discourage carrier participation, lead to higher premiums, and destabilize state insurance markets."[3]

The Republican bill also includes draconian policies to ban taxpaying, lawfully present individuals from accessing coverage under Medicare and the ACA. Nearly 48 million immigrants live in the U.S., representing 14 percent of the total population of 335 million. Immigrants of all legal statuses, like all other residents, pay income, payroll, property, sales, or other taxes throughout the U.S. In fact, they generated some $1.6 trillion in economic activity in 2022 and paid more than $579 billion in local, state, and federal taxes.[4] Currently, lawfully present immigrants can qualify for Medicare under certain circumstances and can purchase coverage through the ACA marketplaces.

Republicans falsely claim their legislation removes *illegal* immigrants from Medicare and the ACA. JCT confirmed in the markup that this is not the case and the legislation's provisions apply to *legally present* individuals, including people who are Temporary Protected Status recipients, refugees, and non-citizens granted asylum—who have worked and paid taxes to qualify for coverage.

The Massachusetts Health Connector expects that the loss of lawfully present immigrants from their coverage due to loss of APTC eligibility would spike premiums in the individual and small group market in Massachusetts, due to the fact that immigrants are better actuarial risk than citizen peers. The Health Connector finds that its immigrant enrollees, on average, have 25 percent lower medical claims than its citizen members, due to the lower age of immigrant enrollees as well as lower utilization of medical services.

The Republican justification for tearing health coverage away from millions of Americans is "fraud." This Republican argument

[3] https://content.naic.org/sites/default/files/health-letter-to-cms-marketplace-intergity-nprm-naic-comments-final-april-2025_0.pdf

[4] https://www.cfr.org/in-brief/how-does-immigration-affect-us-economy.

relies on an ill-informed and shoddy analysis to claim lower income consumers are committing fraud. According to Keep Americans Covered, "Paragon's report, however, relies on problematic data, fails to account for income misestimations, and exaggerates the extent of possible enrollment fraud. The result is a skewed and misleading analysis that wrongfully concludes enhanced tax credits should not be extended."[5] Republicans' "proof" is simply that low-income Americans are trying to get affordable coverage when their states didn't expand Medicaid. The real fraud here is Republicans who claim they care about Americans' health but block Americans' access to health coverage at every turn.

According to estimates by the Center on Budget Policy Priorities, "Without enhanced PTCs, the average 60-year-old with an individual income of $60,241 per year (just over 400 percent of FPL) would have to spend 20 percent of their income on health insurance premiums for the benchmark plan on average in 2024. A 60-year-old with an individual income of $75,301 per year (just over 500 percent of FPL) would have to spend 16 percent of their income on premiums. These estimates are far higher in West Virginia, the highest premium state, where a 60-year-old with an income just above 400 percent of FPL would have to spend 36 percent of their income on benchmark plan premiums if enhanced subsidies were not available. Even 30-year-olds would have to spend more than 15 percent of their income on benchmark plan premiums in high-premium states like Alaska and West Virginia or states with community rating like Vermont." By failing to extend the enhanced tax credits, which ensures affordability of health insurance for middle class Americans, individuals like those above would see their out-of-pocket costs increase dramatically.

In exchange for this decimation of access to health care coverage, the Republican bill offers the American people Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs). In reality, these are no substitute for access to high-quality, robust health coverage. HSAs provide little help to people who have lower incomes or who struggle to afford health care. After paying premiums and paying upfront for needed medical care prior to meeting the deductible, many people won't have money left to put into an HSA.

In fact, HSAs disproportionately benefit the wealthy: People with higher incomes receive the biggest tax benefit for each dollar contributed to an HSA because the value of a tax deduction rises with an individual's tax bracket. According to the Center on Budget and Policy Priorities, "An analysis of 2021 IRS data found that tax returns with incomes of *$1 million or more* were the most likely to report individual HSA contributions, and returns between $500,000 and $1 million were the most likely to report employer contributions."[6] This is not a solution to the rising cost of health care: It is another example of Republicans turning their back on working Americans with policies that help the wealthy.

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[5] https://americanscovered.org/wp-content/uploads/2025/02/Paragon-Response-Report-FINAL.pdf.

[6] https://www.cbpp.org/blog/five-reasons-lawmakers-should-reject-expansions-of-health-savings-accounts.

Lastly, the Republican legislation includes a Medicare hospital rifle shot in their bill allowing 20 hospitals to convert to rural emergency hospital status, sacrificing full-service care for limited emergency services. Patients would lose out on access to surgical procedures requiring inpatient care, for example. Even for common conditions that can be safely managed in rural settings, patients who need inpatient care would need to be transferred or take on a greater travel burden themselves. This would negatively impact rural individuals' ability to receive timely care.

Taken together, these health policies in the Republican bill are not about health at all—they are about redistributing resources in our tax code from the lower and middle class to the wealthy. And in doing so, they will decimate our health care system, stripping out the very foundation that ensures nursing home residents get care, pregnant moms and kids can routinely go to the doctor, and people with disabilities can live independently in their communities.

The harm this bill does extends beyond those receiving their health coverage through Medicare, the ACA, or Medicare. The massive rise in the number of uninsured will result in a huge increase in both medical debt and in uncompensated care. The latter will affect the financial stability of thousands of hospitals, nursing homes, and health clinics across the country causing them to close their doors. When a hospital closes due to the Republican health cuts it doesn't just affect those whose insurance was terminated—it affects every single person in the community who uses that hospital for care. The closure of hospitals and other providers also means job loss.

Communities that have already experienced economic shock from President Trump's failed economic policies will see higher unemployment rates as health care providers—often the largest employers—close their doors and state funding is slashed through Medicaid cuts. The Commonwealth Fund notes, "Combined losses from proposed Medicaid and SNAP cuts would reach $1.1 trillion over a decade, including a $95 billion loss of federal funding in 2026 alone. State gross domestic products (GDPs) would be $113 billion lower, exceeding federal budget savings. About 1.03 million jobs would be lost nationwide in health care, food-related industries, and other sectors. State and local governments would lose $8.8 billion in state and local tax revenues. Not extending the enhanced health insurance premium tax credits that are scheduled to expire after December 2025 would lead to an additional 286,000 jobs lost in 2026, for a combined total of more than 1.3 million jobs lost in the United States." [7]

ASSURING THE DECLINE OF AMERICAN ENERGY

For months, Congressional Republicans promised to take a scalpel rather than a sledgehammer to the Inflation Reduction Act's clean energy credits. But this bill is a hack job disguised as surgery, delivering the actual or functional repeal of most of these credits.

[7] https://www.commonwealthfund.org/publications/issue-briefs/2025/mar/how-cuts-medicaid-snap-could-trigger-job-loss-state-revenue.

The bill repeals electric vehicle (EV) credits that cede the growing EV and battery industries to China, as well as knocking out a key motivation for onshoring vital critical-minerals supply chains. Also repealed are popular consumer credits for home energy efficiency improvements, building new energy efficient homes, and installing residential energy generation like solar panels. Millions of taxpayers have used these credits to save billions of dollars on their utility bills at the same time as easing the burden on America's strained grid.

The bill places crushing restrictions on clean electricity credits that will make them unworkable and repeal them in practice. It also yanks the rug out from under electricity generation projects by eliminating a safe-harbor provision for projects that have begun construction and sunsetting the ability to transfer credits after two years. Similar restrictions will hobble the advanced manufacturing credit and jeopardize a manufacturing renaissance currently underway in the United States. New technologies like advanced nuclear, clean hydrogen, and enhanced geothermal risk being snuffed out at their infancy.

The vast majority of investments that relied on these credits found homes in red states or districts, such that the voters who gave Republicans a Congressional majority will suffer the results of repeal. Somehow, the energy provisions in this legislation manage to be simultaneously bad for business, household utility bills, rural jobs, and technological innovation. Instead of the American Energy Dominance that Trump promised, this legislation will guarantee American Energy Decline.

BORROWING TO CUT TAXES, ONCE AGAIN

It's the same playbook, time and time again. Republicans preach fiscal responsibility under Democrats, then explode the deficit the moment tax handouts for billionaires are on the table, putting our nation on a fast track to fiscal calamity.

The official JCT score would lead one to believe that this bill would add "only" $3.8 trillion to the national debt over the next ten years. As Democratic members demonstrated at the markup, that number doesn't tell the whole story:

- Republicans' deceptive budget window used for their reconciliation process was intentionally designed to provide a nine-year score, rather than a ten-year score, lopping tax year 2035 off the revenue table. An additional year would have added an additional $400 billion, making the ten-year score more like $4.2 trillion.
- Republicans are once again using accounting gimmicks to hide the true cost of their policies. By making temporary items that they know they will make permanent eventually, Republicans are hiding an additional $1.4 trillion from the cost of the bill.
- None of this accounts for the additional interest that will be needed to manage the national debt, which, when CBO provides this score, will be well over $500 billion and perhaps as high as $1 trillion.

In other words, the cost of this bill is not $3.8 trillion. The real cost of this bill is over $6 trillion.

Our colleagues have tried to paper over their fiscal recklessness by fabricating outlandish growth numbers out of thin air, arguing with no evidence that the tax cuts in this bill will create an additional $2.6 trillion of revenue, attributable to economic growth. No serious economist believes this. Not one. No one before the Ways & Means Committee has ever testified to a growth effect approaching this number. We have requested a dynamic score analysis from the Joint Committee on Taxation, and when that score is released and shows paltry revenue gains, rest assured that our Republican colleagues will resort to their time-tested playbook of attacking the referees, rather than owning up to their own shortcomings.

CONCLUSION

Ways & Means Democrats dissent, because this bill is a bad deal for the American people. Hardworking Americans should not be asked to finance tax cuts for billionaires by sacrificing their health care, their food security, and crucial economic assistance.

Committee Republicans could have worked with us. Together, we could have developed a product that provided tax relief for the bottom 98 percent of Americans, paid for responsibly. Our colleagues instead chose to go it on their own, knowing full well this would require them to cater to the cruelest instincts of the most radical right-wing fringe of their party. And cater to them this bill does.

Our door is always open, should they change their minds.

Sincerely,

RICHARD E. NEAL,
Ranking Member.

VOTES OF THE COMMITTEE ON THE BUDGET

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires each committee report to accompany any bill or resolution of a public character to include the total number of votes cast for and against on each roll call vote, on a motion to report, and any amendments offered to the measure or matter, together with the names of those voting for and against.

Listed below are the actions taken in the Committee on the Budget of the House of Representatives on the One Big Beautiful Bill Act.

On May 16, 2025, the Committee met in open session, a quorum being present.

Vice Chairman Smucker asked unanimous consent to be authorized consistent with clause 1(a)(2) of rule XI of the Rules of the House of Representatives, to declare a recess at any time during the committee meeting.

There was no objection to the unanimous consent request.

Chairman Arrington asked unanimous consent that the first reading of the bill be dispensed with and that the bill be considered as read.

There was no objection to the unanimous consent request.

Vice Chairman Smucker made a motion to favorably report the One Big Beautiful Bill Act to the House of Representatives.

On May 16, 2025, the motion to favorably report the One Big Beautiful Bill Act was not agreed to by a vote of 16 ayes to 21 noes.

The Committee took the following vote:

COMMITTEE ON THE BUDGET

HOUSE OF REPRESENTATIVES
119TH CONGRESS

RECORD OF COMMITTEE VOTE

Date: 5/16/2025 Time: 11:56 AM Place: 210 Cannon HOB

Description of Vote: Vote #1 - On Favorably Reporting the One Big Beautiful Bill Act to the House

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ARRINGTON (TX) (Chairman)	X			BOYLE (PA) (Ranking Member)		X	
NORMAN (SC)		X		DOGGETT (TX)		X	
McCLINTOCK (CA)	X			SCOTT (VA)		X	
GROTHMAN (WI)	X			PETERS (CA)		X	
SMUCKER (PA) (Vice Chairman)		X		PANETTA (CA)		X	
CARTER (GA)	X			WATSON COLEMAN (NJ)		X	
CLINE (VA)	X			PLASKETT (VI)		X	
BERGMAN (MI)	X			ESCOBAR (TX)		X	
ROY (TX)		X		OMAR (MN)		X	
STUTZMAN (IN)	X			BALINT (VT)		X	
MOORE (UT)	X			KAPTUR (OH)		X	
ESTES (KS)	X			JAYAPAL (WA)		X	
BRECHEEN (OK)		X		CHU (CA)		X	
OBERNOLTE (CA)	X			TONKO (NY)		X	
CAREY (OH)	X			MCGARVEY (KY)		X	
EDWARDS (NC)	X			AMO (RI)		X	
CLYDE (GA)		X					
HOUCHIN (IN)	X						
MCDOWELL (NC)	X						
GILL (TX)	X						
MOORE (NC)	X						

TOTALS: Aye: 16 No: 21 Present: 0

Chairman Arrington declared the Committee in recess subject to the call of the chair.

On May 18, 2025, the Committee reconvened, a quorum being present.

Vice Chairman Smucker made a motion to reconsider the vote to favorably report the One Big Beautiful Bill Act to the House of Representatives.

The motion to reconsider the vote by which the One Big Beautiful Bill Act was ordered reported was agreed to by a roll call vote of 21 ayes to 16 noes.

Immediately after this vote, on May 18, 2025, the bill was ordered favorably reported to the House of Representatives by a roll call vote of 17 ayes, 16 noes, and 4 present.

The Ranking Member requested the requisite number of days for the minority to file its views.

Chairman Arrington asked unanimous consent that the motion to reconsider be laid on the table, on the measure reported that the staff be authorized to make any necessary technical and conforming corrections prior to filing the bill, and that, pursuant to clause 1 of rule XXII of the House of Representatives, the Chair be authorized to offer motions to go to conference on the reported bill or any companion measure from the Senate.

There was no objection to the unanimous consent request.

The Committee considered the following motions to instruct on the rule for consideration of the One Big Beautiful Bill Act:

Motion to Instruct #1 offered by Representative Balint.

Ms. Balint moves that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the bill make in order an amendment to strike all sections of the bill estimated by the Congressional Budget Office to increase the number of individuals without health insurance.

Motion to Instruct #2 offered by Representative Amo.

Mr. Amo moves that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the bill make in order an amendment to implement President Trump's request to raise the income tax rate for millionaires.

Motion to Instruct #3 offered by Representative McGarvey.

Mr. McGarvey moves that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the bill make in order an amendment to strike all sections of the bill estimated by the Congressional Budget Office to reduce participation in the Supplemental Nutrition Assistance Program.

Motion to Instruct #4 offered by Representative Jayapal.

Ms. Jayapal moves that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the bill include a point of order prohibiting the use of a current policy baseline to estimate the effects of a future amendment between the houses or conference report on the bill.

On May 18, 2025, the Committee on the Budget also took the following votes:

COMMITTEE ON THE BUDGET

HOUSE OF REPRESENTATIVES
119TH CONGRESS

RECORD OF COMMITTEE VOTE

Date: 5/18/2025 Time: 10:33 PM Place: 210 Cannon HOB

Description of Vote: Vote #2 - On the Motion to Reconsider the Vote to Report the One Big Beautiful Bill Act to the House

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ARRINGTON (TX) (Chairman)	X			BOYLE (PA) (Ranking Member)		X	
NORMAN (SC)	X			DOGGETT (TX)		X	
McCLINTOCK (CA)	X			SCOTT (VA)		X	
GROTHMAN (WI)	X			PETERS (CA)		X	
SMUCKER (PA) (Vice Chairman)	X			PANETTA (CA)		X	
CARTER (GA)	X			WATSON COLEMAN (NJ)		X	
CLINE (VA)	X			PLASKETT (VI)		X	
BERGMAN (MI)	X			ESCOBAR (TX)		X	
ROY (TX)	X			OMAR (MN)		X	
STUTZMAN (IN)	X			BALINT (VT)		X	
MOORE (UT)	X			KAPTUR (OH)		X	
ESTES (KS)	X			JAYAPAL (WA)		X	
BRECHEEN (OK)	X			CHU (CA)		X	
OBERNOLTE (CA)	X			TONKO (NY)		X	
CAREY (OH)	X			MCGARVEY (KY)		X	
EDWARDS (NC)	X			AMO (RI)		X	
CLYDE (GA)	X						
HOUCHIN (IN)	X						
MCDOWELL (NC)	X						
GILL (TX)	X						
MOORE (NC)	X						

TOTALS: Aye: 21 No: 16 Present: 0

COMMITTEE ON THE BUDGET

HOUSE OF REPRESENTATIVES
119TH CONGRESS

RECORD OF COMMITTEE VOTE

Date: 5/18/2025 Time: 10:37 PM Place: 210 Cannon HOB

Description of Vote: Vote #3 - On Favorably Reporting the One Big Beautiful Bill Act to the House

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ARRINGTON (TX) (Chairman)	X			BOYLE (PA) (Ranking Member)		X	
NORMAN (SC)			X	DOGGETT (TX)		X	
McCLINTOCK (CA)	X			SCOTT (VA)		X	
GROTHMAN (WI)	X			PETERS (CA)		X	
SMUCKER (PA) (Vice Chairman)	X			PANETTA (CA)		X	
CARTER (GA)	X			WATSON COLEMAN (NJ)		X	
CLINE (VA)	X			PLASKETT (VI)		X	
BERGMAN (MI)	X			ESCOBAR (TX)		X	
ROY (TX)			X	OMAR (MN)		X	
STUTZMAN (IN)	X			BALINT (VT)		X	
MOORE (UT)	X			KAPTUR (OH)		X	
ESTES (KS)	X			JAYAPAL (WA)		X	
BRECHEEN (OK)			X	CHU (CA)		X	
OBERNOLTE (CA)	X			TONKO (NY)		X	
CAREY (OH)	X			MCGARVEY (KY)		X	
EDWARDS (NC)	X			AMO (RI)		X	
CLYDE (GA)			X				
HOUCHIN (IN)	X						
MCDOWELL (NC)	X						
GILL (TX)	X						
MOORE (NC)	X						

TOTALS: Aye: 17 No: 16 Present: 4

COMMITTEE ON THE BUDGET

HOUSE OF REPRESENTATIVES
119TH CONGRESS

RECORD OF COMMITTEE VOTE

Date: 5/18/2025 Time: 10:40 PM Place: 210 Cannon HOB

Description of Vote: Vote #4 - A motion offered by Ms. Balint that the Committee on the Budget direct its Chairman to request that the rule providing for consideration of the bill make in order an amendment to strike all sections of the bill estimated by the Congressional Budget Office to increase the number of individuals without health insurance.

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ARRINGTON (TX) (Chairman)		X		BOYLE (PA) (Ranking Member)	X		
NORMAN (SC)		X		DOGGETT (TX)	X		
McCLINTOCK (CA)		X		SCOTT (VA)	X		
GROTHMAN (WI)		X		PETERS (CA)	X		
SMUCKER (PA) (Vice Chairman)		X		PANETTA (CA)	X		
CARTER (GA)		X		WATSON COLEMAN (NJ)	X		
CLINE (VA)		X		PLASKETT (VI)	X		
BERGMAN (MI)		X		ESCOBAR (TX)	X		
ROY (TX)		X		OMAR (MN)	X		
STUTZMAN (IN)		X		BALINT (VT)	X		
MOORE (UT)		X		KAPTUR (OH)	X		
ESTES (KS)		X		JAYAPAL (WA)	X		
BRECHEEN (OK)		X		CHU (CA)	X		
OBERNOLTE (CA)		X		TONKO (NY)	X		
CAREY (OH)		X		MCGARVEY (KY)	X		
EDWARDS (NC)		X		AMO (RI)	X		
CLYDE (GA)		X					
HOUCHIN (IN)		X					
MCDOWELL (NC)		X					
GILL (TX)		X					
MOORE (NC)		X					

TOTALS: Aye: 16 No: 21 Present: 0

COMMITTEE ON THE BUDGET

HOUSE OF REPRESENTATIVES
119TH CONGRESS

RECORD OF COMMITTEE VOTE

Date: 5/18/2025 Time: 10:42 PM Place: 210 Cannon HOB

Description of Vote: Vote #5 - A motion offered by Mr. Amo that the Committee on the Budget direct its Chairman to request that the rule providing for consideration of the bill make in order an amendment to implement President Trump's request to raise the income tax rate for millionaires.

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ARRINGTON (TX) (Chairman)		X		BOYLE (PA) (Ranking Member)	X		
NORMAN (SC)		X		DOGGETT (TX)	X		
McCLINTOCK (CA)		X		SCOTT (VA)	X		
GROTHMAN (WI)		X		PETERS (CA)	X		
SMUCKER (PA) (Vice Chairman)		X		PANETTA (CA)	X		
CARTER (GA)		X		WATSON COLEMAN (NJ)	X		
CLINE (VA)		X		PLASKETT (VI)	X		
BERGMAN (MI)		X		ESCOBAR (TX)	X		
ROY (TX)		X		OMAR (MN)	X		
STUTZMAN (IN)		X		BALINT (VT)	X		
MOORE (UT)		X		KAPTUR (OH)	X		
ESTES (KS)		X		JAYAPAL (WA)	X		
BRECHEEN (OK)		X		CHU (CA)	X		
OBERNOLTE (CA)		X		TONKO (NY)	X		
CAREY (OH)		X		MCGARVEY (KY)	X		
EDWARDS (NC)		X		AMO (RI)	X		
CLYDE (GA)		X					
HOUCHIN (IN)		X					
MCDOWELL (NC)		X					
GILL (TX)		X					
MOORE (NC)		X					

TOTALS: Aye: 16 No: 21 Present: 0

COMMITTEE ON THE BUDGET

HOUSE OF REPRESENTATIVES
119TH CONGRESS

RECORD OF COMMITTEE VOTE

Date: 5/18/2025 Time: 10:45 PM Place: 210 Cannon HOB

Description of Vote: Vote #6 - A motion offered by Mr. McGarvey that the Committee on the Budget direct its Chairman to request that the rule providing for consideration of the bill make in order an amendment to strike all sections of the bill estimated by the Congressional Budget Office to reduce participation in the Supplemental Nutrition Assistance Program.

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ARRINGTON (TX) (Chairman)		X		BOYLE (PA) (Ranking Member)	X		
NORMAN (SC)		X		DOGGETT (TX)	X		
McCLINTOCK (CA)		X		SCOTT (VA)	X		
GROTHMAN (WI)		X		PETERS (CA)	X		
SMUCKER (PA) (Vice Chairman)		X		PANETTA (CA)	X		
CARTER (GA)		X		WATSON COLEMAN (NJ)	X		
CLINE (VA)		X		PLASKETT (VI)	X		
BERGMAN (MI)		X		ESCOBAR (TX)	X		
ROY (TX)		X		OMAR (MN)	X		
STUTZMAN (IN)		X		BALINT (VT)	X		
MOORE (UT)		X		KAPTUR (OH)	X		
ESTES (KS)		X		JAYAPAL (WA)	X		
BRECHEEN (OK)		X		CHU (CA)	X		
OBERNOLTE (CA)		X		TONKO (NY)	X		
CAREY (OH)		X		MCGARVEY (KY)	X		
EDWARDS (NC)		X		AMO (RI)	X		
CLYDE (GA)		X					
HOUCHIN (IN)		X					
MCDOWELL (NC)		X					
GILL (TX)		X					
MOORE (NC)		X					

TOTALS: Aye: 16 No: 21 Present: 0

COMMITTEE ON THE BUDGET

HOUSE OF REPRESENTATIVES
119TH CONGRESS

RECORD OF COMMITTEE VOTE

Date: 5/18/2025 Time: 10:47 PM Place: 210 Cannon HOB

Description of Vote: Vote #7 - A motion offered by Ms. Jayapal that the Committee on the Budget direct its Chairman to request that the rule providing for consideration of the bill include a point of order prohibiting the use of a current policy baseline to estimate the effects of a future amendment between the houses or conference report on the bill.

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ARRINGTON (TX) (Chairman)		X		BOYLE (PA) (Ranking Member)	X		
NORMAN (SC)		X		DOGGETT (TX)	X		
McCLINTOCK (CA)		X		SCOTT (VA)	X		
GROTHMAN (WI)		X		PETERS (CA)	X		
SMUCKER (PA) (Vice Chairman)		X		PANETTA (CA)	X		
CARTER (GA)		X		WATSON COLEMAN (NJ)	X		
CLINE (VA)		X		PLASKETT (VI)	X		
BERGMAN (MI)		X		ESCOBAR (TX)	X		
ROY (TX)		X		OMAR (MN)	X		
STUTZMAN (IN)		X		BALINT (VT)	X		
MOORE (UT)		X		KAPTUR (OH)	X		
ESTES (KS)		X		JAYAPAL (WA)	X		
BRECHEEN (OK)		X		CHU (CA)	X		
OBERNOLTE (CA)		X		TONKO (NY)	X		
CAREY (OH)		X		MCGARVEY (KY)	X		
EDWARDS (NC)		X		AMO (RI)	X		
CLYDE (GA)		X					
HOUCHIN (IN)		X					
MCDOWELL (NC)		X					
GILL (TX)		X					
MOORE (NC)		X					

TOTALS: Aye: 16 No: 21 Present: 0

OTHER HOUSE REPORT REQUIREMENTS

Related Committee Hearings

For the purposes of section 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearing was used to develop this legislation:

On May 7, 2025, the Committee held a hearing titled "The Fiscal State of the Nation." The Committee received testimony from the following witnesses:

Dr. Joshua Rauh, Ph.D., Senior Fellow at the Hoover Institution, Stanford University;

Dr. Paul Winfree, Ph.D., President and CEO, Economic Policy Innovation Center;

Mr. Don Schneider, Deputy Head of U.S. Policy, Piper Sandler; and

Mr. Michael Linden, Senior Policy Fellow, Washington Center for Equitable Growth.

Committee Consideration

On Friday, May 16, 2025, and Sunday, May 18, 2025, the Committee met in open session and ordered the bill, H.R. __, favorably reported, without amendment, by a roll call vote of 17 ayes, 16 noes, and 4 present, a quorum being present.

Committee Oversight Findings and Recommendations

Clause 3(c)(1) of rule XIII of the Rules of the House of Representatives requires each committee report to contain oversight findings and recommendations pursuant to clause 2(b)(1) of rule X. The Committee on the Budget has examined its activities over the past session and has determined that there are no specific oversight findings in the text of the reported bill.

Committee Cost Estimate

Pursuant to clause 3(d) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to sections 402 and 423 of the *Congressional Budget Act of 1974*. The Committee has requested but not received from the Director of the Congressional Budget Office a cost estimate for the consolidated provisions.

New Budget Authority and Cost Estimate Prepared by the Congressional Budget Office

Pursuant to clause 3(d) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* (relating to estimates of new budget authority, new spending authority, new credit authority, or increased or decreased revenues or tax expenditures), and pursuant to clause 3(c)(2) and (3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, the Committee has requested but not received a statement as to whether these consolidated provisions contain any new budget authority, spending authority, credit authority, or an increase or decrease in revenues or tax expenditures.

Federal Mandates Statement

Section 423 of the *Congressional Budget Act of 1974* requires a statement of whether the provisions of the reported bill include unfunded mandates. Any statements regarding unfunded mandates for a legislative recommendation submitted by an instructed committee are included under the appropriate title of this report.

Federal Advisory Committee Act Statement

No advisory committee within the meaning of section 5(b) of the *Federal Advisory Committee Act* was created by this legislation.

Applicability to the Legislative Branch

Any finding that a legislative recommendation submitted by an instructed committee relates to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the *Congressional Accountability Act* (Public Law 104–1) is included under the appropriate title of this report.

Duplication of Federal Programs

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, no provision of the legislation establishes or reauthorizes a program of the Federal government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

Statement of Performance Goals and Objectives

This bill is reported pursuant to Title II of H. Con. Res. 14, the Concurrent Resolution on the Budget for Fiscal Year 2025. Pursuant to Clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goals and objectives of this bill are to enact President Trump's America First agenda, prevent a harmful tax increase, provide necessary funding for border and defense priorities, and rein in out-of-control spending.

Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits

In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, the bill does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI of the Rules of the House of Representatives.

Section-by-Section Analysis

One, Big, Beautiful Bill Act of 2025 Section-By-Section

SECTION-BY-SECTION TABLE OF CONTENTS

TITLE I—COMMITTEE ON AGRICULTURE

SECTION-BY-SECTION

SUBTITLE A—NUTRITION

Sec. 10001. Thrifty Food Plan

Section 10001 amends section 3(u) of the Food and Nutrition Act of 2008 to provide a cost neutrality provision that would prevent the Secretary from increasing the cost of the thrifty food plan based on a reevaluation or update of market baskets, which under this section may not occur more frequently than every 5 years. This section also requires the Secretary to publish in the Federal Register with an opportunity for comment a notice prior to any update of the thrifty food plan market baskets. Under section 3(u)(4), the Secretary would be required to adjust the cost of the thrifty food plan to reflect changes in the Consumer Price Index.

Sec. 10002. Able Bodied Adults Without Dependents Work Requirements

Subsection (a) of section 10002 amends the exceptions listed for able bodied adults without dependents (ABAWD) in Section 6(o)(3) of the Food and Nutrition Act to the SNAP work requirement. Specifically, this section would increase the age with which ABAWDs must continue working to qualify for SNAP to 64 (up from 54 currently); it changes the generic, functional definition of "dependent child" for ABAWD purposes from under 18 years of age to under 7; and it carves out an exception to the work requirements for a person responsible for a child 7 years of age or older who is married and resides with an individual who complies with the SNAP work requirements.

Subsection (b) of section 10002 keeps in place the October 1, 2030 sunset provision currently in law for the ABAWD exception for: homeless individuals; veterans; and individuals who are 24 years of age or younger and who were in foster care under the responsibility of a State on the date of attaining 18 years of age or such higher age as the State has elected under section 475(8)(B)(iii) of the Social Security Act.

Sec. 10003. Able Bodied Adults Without Dependents Waivers

Paragraph (1) of section 10003 amends Section 6(o)(4)(A) of the Food and Nutrition Act—which addresses State waiver requests to the work requirement for ABAWDs—by requiring county or county-equivalents to have unemployment rates of over 10% to be eligible for waivers, such waivers being valid for not more than 12 consecutive months. Currently, the Secretary has wide discretion to issue such waivers indefinitely across entire States if the Secretary determines the area does not have a sufficient number of jobs.

Paragraph (2) of section 10003 amends Section 6(o)(6)(F) to lower the maximum number of exempt ABAWDs not living in a waived county or county-equivalent from the SNAP work requirement from 8 percent of such individuals in the State to 1 percent.

Sec. 10004. Availability of Standard Utility Allowances Based on Receipt of Energy Assistance

Subsection (a) of section 10004 amends Section 5(e)(6)(C)(iv)(I) of the Food and Nutrition Act to limit the use of payments of $20 or more from the Low-Income Home Energy Assistance Act of 1981 (or similar energy assistance program) to automatically qualify for the standard utility allowance in determining SNAP allotments to only households with elderly or disabled members. Currently, all households qualify.

Subsection (b)(1) of section 10004 amends Section 5(k)(4) of the Food and Nutrition Act to limit the exclusion from income for the purposes of determining SNAP allotments, payments made pursuant to State law to provide energy assistance to a household to only households with an elderly or disabled member. Subsection (b)(2) amends Section 5(k)(4) of the Food and Nutrition Act to limit the inclusion of expenses paid on behalf of a household under a State law to provide energy assistance as "out-of-pocket" expenses to be considered in the excess shelter deduction for purposes of determining SNAP allotments to only households with an elderly or disabled member. Currently, all households enjoy those benefits.

Sec. 10005. Restrictions on Internet Expenses

Section 10005 amends Section 5(e)(6) of the Food and Nutrition Act by adding at the end a new subparagraph (E) that explicitly forbids the use of household internet costs from being used in computing the excess shelter expense deduction in determining the size of household SNAP allotments.

Sec. 10006. Matching Funds Requirements

Subsection (a) of section 10006 amends Section 4(a) of the Food and Nutrition Act by adding a new paragraph (2). Paragraph (2)(A) would require all States to contribute 5 percent of the cost of SNAP allotments beginning in fiscal year 2028. Paragraph (2)(B) increases the percentage that States must contribute based on each respective State's SNAP error rate. States with error rates of between 6 and 8 percent must contribute 15 percent; States with error rates of between 8 and 10 percent must contribute 20 percent; and States with error rates equal to or greater than 10 percent must contribute 25 percent.

Subsection (b) of section 10006 is a rule of construction meant to add further clarity that in no event may the federal government pay towards SNAP allotments an amount greater than the "Federal Share" (100 percent minus the State Share described in subsection (a)).

Sec. 10007. Administrative Cost Sharing

Section 10007 amends Section 16(a) of the Food and Nutrition Act by reducing the federal share of the cost of administering SNAP from 50 percent to 25 percent, thereby increasing the State share of administrative costs from 50 percent to 75 percent.

Sec. 10008. General Work Requirement Age

Paragraph (1) of section 10008 amends Section 6(d)(1) of the Food and Nutrition Act by changing the general SNAP work re-

quirement age from over 15 and under 60, to over 17 and under 65. Paragraph (2) amends Section 6(d)(2) by increasing the age of a child for which a parent will be exempted from the general SNAP work requirements from under the age of 6 to under the age of 7.

Sec. 10009. National Accuracy Clearinghouse

Section 10009 amends Section 11(x)(2) of the Food and Nutrition Act by adding at the end a new subparagraph (D) that would require state agencies to use indications of multiple issuances of SNAP benefits to prevent multiple issuances of other federal and State assistance program benefits.

Sec. 10010. Quality Control Zero Tolerance

Section 10010 amends Section 16(c)(1)(A)(ii) of the Food and Nutrition Act by reducing the tolerance level for errors in SNAP from $37 in 2014 dollars (adjusted annually to account for inflation) to $0.

Sec. 10011. National Education and Obesity Prevention Grant Program Repealer

Section 10011 repeals Section 28 of the Food and Nutrition Act: The National Education and Obesity Prevention Grant Program.

Sec. 10012. Alien SNAP Eligibility

Section 10012 amends Section 6(f) of the Food and Nutrition Act to limit SNAP benefits to only individuals who reside in the United States and are citizens or lawful permanent residents of the United States.

Sec. 10012. Emergency Food Assistance

Section 10013 amends Section 203D(d)(5) of the Emergency Food Assistance Act of 1983 to extend mandatory funding for each fiscal year through 2031 to carry out federal projects aimed at reducing food waste, providing food to individuals in need, and building relationships between agricultural production, processing, and distribution.

SUBTITLE B—INVESTMENT IN RURAL AMERICA

Sec. 10101. Safety Net

Section 10101(a) amends section 1111 of the Agricultural Act of 2014 to include a 10% to 20% increase to the statutory reference price for all covered commodities. Effective beginning in the 2031 crop year, the reference price for all covered commodities above shall equal the reference price in the previous crop year multiplied by 1.005 and cannot exceed 115 percent of the reference price for such covered commodity.

Section 10101(b) amends section 1112 of the Agricultural Act of 2014 to maintain all current base acres while providing a 1-time allocation of new base for not more than an additional 30,000,000 base acres for producers who currently do not have base or whose average planted and prevented plant acres exceed the current base acres on the farm. Additionally, section 10101(b) requires a prorated reduction by the Secretary if the total number of eligible

acres allocated to base acres across all farms in the U.S. would exceed 30,000,000 acres beginning in crop year 2026.

Section 10101(c) amends section 1115 of the Agricultural Act of 2014. The subsection requires producers to make an election to obtain PLC or ARC coverage on a covered-commodity-by-covered-commodity basis through crop year 2031.

Section 10101(d) amends section 1116 of the Agricultural Act of 2014 to extend PLC through crop year 2031.

Section 10101(e) amends section 1117 of the Agricultural Act of 2014 to extend ARC through crop year 2031. The subsection also increases the agricultural risk coverage guarantee to 90 percent of the benchmark revenue for crop years 2025 through 2031. It further increases the payment rate calculation to include 12.5 percent of the benchmark revenue in crop years 2025 through 2031.

Section 10101(f) amends section 1001 of the Food Security Act of 1985 to define the term "qualified pass through entity" to include partnerships, S–Corps, LLCs, joint ventures, and general partnerships. The subsection requires the Secretary to treat such entities in the same manner as current law treats general partnerships and joint ventures for the purposes of applying payment limitations.

Section 10101(g) amends section 1001 of the Food Security Act of 1985 to increase the payment limitation for Title I payments from $125,000 to $155,000, adjusted annually to account for inflation based on the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

Section 10101(h) amends section 1001D(b) of the Food Security Act of 1985 to provide an exception to the AGI means test for purposes of determining eligibility for disaster and conservation programs if the person or entity derives more than 75 percent of their average gross income from farming, ranching, and silviculture activities. Farming, ranching, and silviculture activities include agritourism, direct-to-consumer marketing of agricultural products, the sale of agricultural equipment owned by an operation.

Section 10101(i) amends section 1202 of the Agricultural Act of 2014 to include, for crop years 2026 through 2031, modest increases in loan rates for most loan commodities, while providing for a more substantial increase in loan rates for commodities that did not receive an increase in the Agricultural Improvement Act of 2018. Section 10101(i) also establishes a special rule for the effective price for PLC where the loan rate shall be equal to $0.30 per pound for seed cotton and $3.30 per bushel for corn.

Section 10101(i) further amends section 1204(g) of the Agricultural Act of 2014 to require the Secretary to make cotton storage payments for upland cotton and extra-long staple cotton in the same manner as provided in 2006 for upland cotton. The payment rate shall be equal to the lesser of the submitted tariff rate for the current marketing year and the maximum storage payment rate of $4.90 for California and Arizona and $3.00 in all other states. The subsection also enhances flexibility for loan redemption of upland cotton and modernizes loan provisions for extra-long staple cotton.

Section 10101(j) amends section 1204 of the Agricultural Act of 2014 by establishing the repayment rate of a marketing assistance loan for upland cotton to be the lowest prevailing world market

price during the 30-day period beginning on the date on which such loan was repaid was used. Section 10101(j) also provides for a refund of a marketing loan for upland cotton that is repaid by a producer. Section 10101(j) further updates the formula for the prevailing world market price for upland cotton to provide that, for any period which price quotations for Middling (M) one and three-thirty-second inch cotton are available, is based on the average of the 3 lowest-priced growths that are quoted. Lastly, section 10101(j) establishes the repayment rate of a marketing assistance loan for extra long staple cotton to be the lesser of the loan rate established for the commodity or the prevailing world market price. The prevailing world market price for extra long staple cotton shall be adjusted to U.S. quality and location, as well as include the average costs to market the commodity taking into account transportation costs on the date the loan was repaid.

Section 10101(k) amends section 1207(c) of the Agricultural Act of 2014. The subsection increases the Economic Adjustment Assistance for Textile Mills payment rate from $0.03/lb. to $0.05/lb. of upland cotton used by the mill, beginning August 1, 2025.

Section 10101(l) provides various sugar program updates. Subsection (l)(1) amends section 156 of the Federal Agriculture Improvement and Reform Act of 1996 to increase, for crop years 2025 through 2031, the loan rate for sugarcane to $0.24 per pound. The subsection further increases the loan rate for sugar beets to 136.55 percent of the loan rate for raw sugar.

Subsection (l)(2) amends section 167 of the Federal Agriculture Improvement and Reform Act of 1996 to increase for the 2025 crop year and each subsequent crop year the storage payments to $0.34 per hundredweight per month for refined sugar and $0.27 per hundredweight per month for raw cane sugar.

Subsection (l)(3) amends Section 359b(a)(1) of the Agricultural Adjustment Act of 1938 to require the Secretary to provide sugar estimates for flexible marketing allotments for sugar through crop year 2031. The subsection also amends Section 359c(g)(2) of the Agricultural Adjustment Act of 1938 to require the Secretary to give priority to sugar beet processors that have sugar available, if the Secretary makes an upward adjustment in an allotment.

Subsection (l)(4) amends section 359k of Agricultural Adjustment Act of 1938. The subsection requires USTR, in consultation with the Secretary, to provide an upfront reallocation of the TRQ shortfall at the beginning of the quota year and then a subsequent reallocation of any remaining shortfall to quota holding countries by March 1st of each year.

Subsection (l)(5) amends section 359k(b)(1) of the Agricultural Adjustment Act of 1938 to clarify that the Secretary has the authority to take action to increase the supply of sugar before April 1st only if it is for the sole purpose of responding directly to an emergency shortage of sugar in the United States market that is caused by a war, flood, hurricane, or other natural disaster, or other similar event.

Subsection (l)(6) amends Section 359l(a) of the Agricultural Adjustment Act of 1938 to extend the period of effectiveness for flexible marketing allotments for sugar through the 2031 crop year.

Section 10101(m) provides various dairy policy updates. Section (m)(1) amends section 1401 of the Agricultural Act of 2014 to update the definition of "production history" and amends section 1405 of the Agricultural Act of 2014 to update the production history for dairy operations participating in the program to the highest annual milk marketings of such dairy during any one of the 2021, 2022, or 2023 calendar years.

Subsections (m)(2) and (m)(3) amend sections 1406 and 1407 of the Agricultural Act of 2014 to increase the tier I and tier II coverage limit under the DMC program from the first 5 million pounds of milk to the first 6 million pounds of milk. Subsection (m)(3) also provides an option for producers to receive a 25 percent discount on their DMC premiums if they lock in coverage from calendar years 2026 through 2031.

Subsection (m)(4) amends section 1409 of the Agricultural Act of 2014 to extend dairy margin coverage through calendar year 2031.

Subsection (n) amends Section 1602 of the Agricultural Act of 2014 to suspend permanent price support authority through calendar year 2031.

Subsection (o) amends section 1614(c) of the Agricultural Act of 2014 to provide for the implementation authority and funding for Title I of this Act. The subsection further provides CCC funds to implement Title I programs and authorities, including to carry out dairy mandatory cost surveys and for USDA to update and modernize their technology.

Subsection (p) amends section 1501 of the Agricultural Act of 2014 to provide various livestock safety net updates. Subsection (p)(1) establishes a payment rate for predation losses at 100 percent of the market value of the animal for losses caused by a federally protected species. Subsection (p)(1) also establishes a payment rate for losses due to adverse weather or disease at 75 percent of the market value of the animal. The market value for both payment rates is determined by the Secretary, who may consider the ability of eligible producers to document regional price premiums for affected livestock that exceed the national average market price for those livestock. The paragraph further establishes a supplemental payment for the loss of unborn livestock incurred since January 1, 2024.

Subsection (p)(2) provides that an eligible livestock producer that owns or leases grazing land or pastureland that is physically located in a county that is rated by the U.S. Drought Monitor as having a D2 (severe drought) intensity in any area of the county for at least 4 consecutive weeks during the normal grazing period for the county, as determined by the Secretary, shall be eligible to receive assistance in an amount equal to 1 monthly payment using the monthly payment rate determined under the livestock forage disaster program; or 2 monthly payments if for any of the 7 of the 8 consecutive weeks during the normal grazing period for the county.

Subsection (p)(3) establishes that eligible producers on a farm of farm-raised fish, including fish grown as food for human consumption, shall be eligible to receive payments to aid in the reduction of losses due to piscivorous birds. The payment rate for payments shall be not less than $600 per acre of farm-raised fish.

Subsection (p)(4) decreases the threshold for producers to qualify for the program to a tree mortality rate that exceeds normal mortality. Additionally, the reimbursement rate increases from 50 percent to 65 percent of the cost of pruning, removal, and other costs incurred by an eligible orchardist or nursery tree grower to salvage existing trees or, in the case of tree mortality, to prepare the land to replant trees.

Subsection (q) provides that in determining honeybee colony losses eligible for emergency assistance for livestock, honey bees, and farm-raised fish under section 1501(d) of the Agricultural Act of 2014, the Secretary shall utilize a normal mortality rate of 15 percent. Subsection (r) amends section 502(b) of the Federal Crop Insurance Act to establish, among other criteria, that a beginning farmer or rancher, and a veteran farmer or rancher, are farmers or ranchers that have operated a farm or ranch for not more than 10 years.

Additionally, subsection (r) amends 508(e)(8) of the Federal Crop Insurance Act to increase the crop insurance policy premium to varying percentage points greater than premium assistance otherwise available, depending on the reinsurance year that a beginning farmer or rancher is in for an applicable policy or plan of insurance.

Subsection (r)(2) amends Section 508(e)(2)(H)(i) of the Federal Crop Insurance Act to provide that in the case of supplemental coverage options, the amount shall be equal to the sum of 80 percent of the additional premium associated with the coverage and the premium calculated for the coverage to cover operating and administrative expenses.

Subsection (s) amends section 508(c)(4) of the Federal Crop Insurance Act to enhance the coverage level for Whole Farm Revenue Protection and certain area wide coverage options, as well as increases the premium cost share the Corporation pays for the supplemental coverage option.

Subsection (t) amends Section 508(e)(2) of the Federal Crop Insurance Act to provide additional premium support in the catastrophic risk protection provided by the Corporation, with varying degrees of support depending on the level of additional coverage of the recorded or appraised average yield indemnified at not greater than 100 percent of the expected market price, or a comparable coverage for a policy or plan of insurance that is not based on individual yield. Subsection (u) amends Section 508(k) of the Federal Crop Insurance Act to provide that beginning with the 2026 reinsurance year and for each reinsurance year thereafter, in addition to the terms and conditions of the Standard Reinsurance Agreement, to cover additional expenses for loss adjustment procedures, the Corporation shall pay an additional administrative and operating expense subsidy to approved insurance providers for eligible contracts, with the payment to an approved insurance provider to 6 percent of the net book premium.

Subsection (u) also establishes a reimbursement level for administrative and operating expenses with respect to specialty crop contacts to be equal to or greater than the percent that is the greater of 17 percent of the premium used to define loss ratio and the percent of the premium used to define loss ratio that is otherwise ap-

plicable for the reinsurance year under the terms of the Standard Reinsurance Agreement in effect for the reinsurance year.

Subsection (u) further requires the Corporation, beginning with the 2026 reinsurance year and for each reinsurance year thereafter, to increase the total administrative and operating expense reimbursements otherwise required under the Standard Reinsurance Agreement in effect for the reinsurance year in order to account for inflation in a manner that is consistent with the increases provided with respect to the 2011 through 2015 reinsurance years.

Subsection (v) amends section 515(l)(2) of the Federal Crop Insurance Act to provide that the Corporation may use, from amounts made available from the insurance fund established under section 516(c) of the Federal Crop Insurance Act, not more than $6,000,000 for fiscal year 2026 and each subsequent fiscal year.

Subsection (w) amends section 516(b)(2)(C)(i) of the Federal Crop Insurance Act to provide that for each of the 2014 and subsequent reinsurance years, the Corporation may use the insurance fund established under section 516, but not to exceed $7,000,000 for each of fiscal years 2014 through 2025 and $10,000,000 for fiscal year 2026 and each fiscal year thereafter, to pay costs to reimburse expenses incurred for the operations and review of policies, plans of insurance, and related materials (including actuarial and related information); and to assist the Corporation in maintaining program actuarial soundness and financial integrity.

Subsection (x) amends Section 523 of the Federal Crop Insurance Act to establish a Poultry Insurance Pilot Program. Under the pilot program, contract poultry growers, including growers of broilers and laying hens, may elect to receive index-based insurance from extreme weather-related risks resulting in increased utility costs (including costs of natural gas, propane, electricity, water, and other appropriate costs, as determined by the Corporation) associated with poultry production.

Sec. 10102. Conservation

Subsection (a) of section 10102 amends section 1240O(b) of the Food Security Act of 1985 to provide $1,000,000 in mandatory funding, beginning in fiscal year 2026 and available until expended, from the Commodity Credit Corporation to carry out the Grassroots Source Water Protection Program. Subsection (a) also extends the authorized appropriations of $20,000,000 for the Grassroots Source Water Protection Program for each fiscal year through fiscal year 2031.

Subsection (b) of section 10102 amends section 1240R(f)(1) of the Food Security Act of 1985 to provide $10,000,000 in mandatory funding, provided by the Commodity Credit Corporation, for each fiscal year through fiscal year 2031 to carry out the Voluntary Public Access and Habitat Incentive Program.

Subsection (c) of section 10102 amends section 2408(g)(1) of the Agriculture Improvement Act of 2018 to provide $15,000,000 in mandatory funding, provided by the Commodity Credit Corporation, for each fiscal year through fiscal year 2031 to carry out the Federal Swine Eradication and Control Pilot Program.

Subsection (d) if section 10102 extends and amends section 1241(a) of the Food Security Act of 1985 to increase mandatory

funding, provided by the Commodity Credit Corporation at the following levels:

The Agriculture Conservation Easement Program, under subchapter VII, is funded at:

$625,000,0000 for fiscal year 2026;
$650,000,000 for fiscal year 2027;
$675,000,000 for fiscal year 2028;
$7000,000,000 for fiscal year 2029;
$7000,000,000 for fiscal year 2030; and
$700,000,000 for fiscal year 2031.

The Environmental Quality Incentives Program, under subpart A of part IV of subchapter IV, is funded at:

$2,655,000,000 for fiscal year 2026;
$2,855,000,000 for fiscal year 2027;
$3,255,000,000 for fiscal year 2028;
$3,255,000,000 for fiscal year 2029;
$3,255,000,000 for fiscal year 2030; and
$3,255,000,000 for fiscal year 2031.

The Conservation Stewardship Program, under subpart B of part IV or subchapter IV, is funded at:

$1,300,000,000 for fiscal year 2026;
$1,325,000,000 for fiscal year 2027;
$1,350,000,000 for fiscal year 2028;
$1,375,000,000 for fiscal year 2029;
$1,375,000,000 for fiscal year 2030; and
$1,375,000,000 for fiscal year 2031.

Subsection (d) amends section 1271D(a) of the Food Security Act of 1985 to provide $425,000,000 in mandatory funding for fiscal year 2026 and $450,000,000 for each of fiscal years 2027 through 2031, from the Commodity Credit Corporation, to carry out the Rural Conservation Partnership Program.

Additionally, subsection (d) amends and extends section 15 of the Watershed Protection and Flood Prevention Act to provide $150,000,000 in mandatory funding, to remain available until expended, for fiscal year 2026 from the Commodity Credit Corporation to carry out watershed protection and flood prevention. This subsection also rescinds conservation funding from the Inflation Reduction Act.

Sec. 10103. Trade

Section 10103 amends section 203(f) of the Agricultural Trade Act of 1978 to provide mandatory funding of $489,500,000 for each of fiscal years 2026 through 2031, to remain available until expended, to fund agricultural trade promotion and facilitation. Of the $489,500,000 provided for each of fiscal years 2026 through 2031, $400,000,000 is allocated to the Market Access Program, $69,000,000 is allocated to the Foreign Market Development Cooperator Program, $8,000,000 is allocated to the E (Kika) de la Garza Emerging Marketing Program, $9,000,000 is allocated to the Technical Assistance for Specialty Crops Program, and $3,500,000 is allocated to the Priority Trade Fund. Additionally, this section establishes that any of the funds listed above that remain unobligated one year after the end of the fiscal year in which the funds were first made available are to be reallocated to the priority trade fund.

Sec. 10104. Research

Subsection (a) of section 10104 amends section 1672E(d)(1) of the Food, Agriculture, Conservation, and Trade Act of 1990 by extending mandatory funding for each fiscal year through 2031 from the Commodity Credit Corporation to carry out the Urban, Indoor, and Other Emerging Agriculture Production, Research, Education, and Extension Initiative.

Subsection (b) of section 10104 amends section 7601(g)(1)(A) of the Agricultural Act of 2014 to provide $37,000,000 in mandatory funding, to remain available until expended, from the Commodity Credit Corporation to carry out the Foundation for Food and Agriculture Research. The Secretary shall transfer these funds to the Foundation no later than 30 days after the date of the enactment of this Act.

Subsection (c) of section 10104 amends section 1446 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to provide $60,000,000 in mandatory funding from the Commodity Credit Corporation, to remain available until expended, for fiscal year 2026 to carry out the Scholarships for Students at 1890 Institutions.

Subsection (d) of section 10104 amends section 1680(c) of the Food, Agriculture, Conservation, and Trade Act of 1990 to provide $8,000,000 in mandatory funding, available until expended, from the Commodity Credit Corporation to carry out the Assistive Technology Program for Farmers with Disabilities Program.

Subsection (e) of section 10104 amends section 412(k)(1)(B) of the Agricultural Research, Extension, and Education Reform Act of 1998 to provide $80,000,000 in mandatory funding through fiscal year 2025 and $175,000,000 through fiscal year 2026 from the Commodity Credit Corporation to carry out the Specialty Crop Research Initiative.

Subsection (f) of section 10104 amends section 6 of the Research Facilities Act to provide $125,000,000 in mandatory funding for each year beginning with fiscal year 2026 from the Commodity Credit Corporation to carry out the study, plan, design, structure, and related costs of the Agriculture Research Facilities under this subchapter.

Sec. 10105. Secure Rural Schools; Forestry

Subsection (a)(1) amends Section 101 of the Secure Rural Schools and Community Self- Determination Act to extend the authority for the Secretaries to calculate eligible State and county payments under the Act through fiscal year 2026. It also creates a special rule for fiscal year 2024 payments which may have already been received by eligible States and counties. Subsection (a)(2) amends Sections 208 and 305 of the Secure Rural Schools and Community Self-Determination Act to extend the authorities to initiate projects to expend funds under the Act through fiscal year 2028, and requiring project funds not obligated by September 30, 2029 to be deposited in the Treasury of the United States.

Subsection (b) amends Section 205(g) of the Secure Rural Schools and Community Self-Determination Act to extend the authorities under that section through October 1, 2026. It also strikes Section 205(g)(6), which required a report to Congress.

Subsection (c) makes technical corrections to sections 205 and 206 of the Secure Rural Schools and Community Self-Determination Act.

Subsection (d)(1) rescinds all of the unobligated balances of the funds made available under paragraphs 1 through 4 of section 23002(a) of subtitle D of Public Law 117–169. Subsection (d)(2) rescinds $100,719,676 of the unobligated balances available under section 23003(a)(1) of subtitle D of Public Law 117–169.

Sec. 10106. Energy

Subsection (a) of section 10106 amends and extends section 90002(k)(1) of the Farm Security and Rural Investment Act of 2002 by extending mandatory funding provided by the Commodity Credit Corporation through fiscal year 2031.

Subsection (b) of section 10106 amends section 9005(g)(1)(F) of the Farm Security and Rural Investment Act of 2002 by extending mandatory funding for each fiscal year through 2031, provided by the Commodity Credit Corporation, to carry out the Bioenergy Program for Advanced Biofuels.

Sec. 10107. Horticulture

Subsection (a) of section 10107 amends section 420(f) of the Plant Protection Act to provide $75,000,000 in mandatory funding through fiscal year 2025 and increase funding to $90,000,000 for fiscal year 2026 and each fiscal year thereafter. Funding is made available through the Commodity Credit Corporation to carry out plant pest and disease management and disaster prevention.

Subsection (b) of section 10107 amends section 101(l)(1) of the Specialty Crops Competitiveness Act of 2004 to extend the Secretary's authority to make grants through fiscal year 2025. Also, subsection (b) raises the mandatory funding authorization to $100,000,000 for fiscal year 2026, from the Commodity Credit Corporation, to carry out state assistance for specialty crops.

Subsection (c) of section 10107 amends section 7407(d)(1) of the Farm Security and Rural Investment Act of 2002 to authorize $10,000,000 in mandatory funding for fiscal years 2026 through 2031 to carry out organic production and market data initiatives.

Subsection (d) of section 10107 amends section 2123(c)(4) of the Organic Foods Production Act of 1990 to provide $1,000,000 in mandatory funding through fiscal years 2024 and 2025 and $5,000,000 for fiscal year 2026, provided by the Commodity Credit Corporation, to carry out the modernization and improvement of international trade technology systems and data collection funding.

Subsection (e) of section 10107 amends section 10606(d)(1)(C) of the Farm Security and Rural Investment Act of 2002 by extending mandatory funding from the Commodity Credit Corporation through fiscal year 2031 to carry out the National Organic Certification Cost-Share Program.

Subsection (f) of section 10107 amends section 10109(c)(1) of the Agriculture Improvement Act of 2018 to provide mandatory funding from the Commodity Credit Corporation for the Multiple Crop and Pesticide Use Survey to be funded at—

> $500,000 for fiscal year 2019, to remain available until expended;

$100,000 for fiscal year 2024, to remain available until expended; and

$5,000,000 for fiscal year 2026, to remain available until expended.

Sec. 10108. Miscellaneous

Subsection (a) of section 10108 amends and extends section 10409A(d)(1) of the Animal Health Protection Act to provide $30,000,000 in mandatory funding for each of the fiscal years 2023 through 2025, from the Commodity Credit Corporation, to carry out animal disease prevention and management. Of the $30,000,000 provided in funding, no less than $18,000,000 should be made available for each fiscal year to carry out the National Animal Disease Preparedness and Response Program.

Additionally, subsection (a) provides $233,000,000 in mandatory funding from the Commodity Credit Corporation for each of the fiscal years 2026 through 2030, of which $10,000,000 is allocated to National Animal Health Laboratory Network, $70,000,000 is allocated to the National Animal Disease Preparedness and Response Program, and $153,000,000 is allocated to the National Animal Vaccine and Veterinary Countermeasure Bank.

Subsection (a) also provides $75,000,000 in mandatory funding from the Commodity Credit Corporation for fiscal year 2031 and each fiscal year thereafter to carry out these programs, of which $45,000,000 is allocated to the National Animal Disease Preparedness and Response Program.

Subsection (b) of section 10108 amends and extends section 209(c) of the Agriculture Marketing Act of 1946 to provide $3,000,000 in mandatory funding, available until expended, for fiscal year 2025 from the Commodity Credit Corporation to carry out the Sheep Production and Marketing Grant Program.

Subsection (c) of section 10108 amends and extends section 12314 of the Agricultural Act of 2014 by directing the Secretary to make annual payments through fiscal year 2031 from the Pima Agriculture Cotton Trust Fund. Subsection (c) also amends section 12315 of the Agriculture Act of 2014 by extending all activities under this subsection to fiscal year 2031 to carry out wool research and promotion.

Additionally, subsection (c) of section 10108 amends section 12605(d) of the Agriculture Improvement Act of 2018 to extend mandatory funding, to remain available until expended for each fiscal year to 2031, from the Commodity Credit Corporation to carry out the Emergency Citrus Disease Research and Development Trust Fund.

EXPLANATION OF PROVISIONS

TITLE II—COMMITTEE ON ARMED SERVICES

Sec. 20001—Enhancement of Department of Defense Resources for Improving the Quality of Life for Military Personnel

This section provides over $7.3 billion in mandatory funding and $1.24 billion in direct spending for the following purposes: to ren-

ovate military barracks and unaccompanied housing; to prevent shortages in the provision of healthcare services under the Defense Health Program; to provide supplemental payments of Basic Allowance Housing to military personnel; to extend eligibility for Temporary Lodging Expense Allowance from 14 to 21 days to cover out-of-pocket expenses for servicemembers undergoing permanent change of station; to expand educational opportunities and childcare fee assistance for servicemembers; to expand professional licensure assistance programs for military spouses; and to carry out additional activities under the Defense Community Infrastructure Program. This section also provides temporary authority for the military services to enter into public-private partnerships for the renovation of existing and construction of new unaccompanied housing. CBO estimates this authority will increase direct spending by $1.24 billion.

Sec. 20002—Enhancement of Department of Defense Resources for Shipbuilding

This section provides $33.7 billion in mandatory funding for the following purposes: to improve infrastructure and expand capacity at private shipyards and throughout the maritime industrial base supply chain; to construct new battle force ships; and to develop and procure autonomous unmanned surface and subsurface vessels.

Sec. 20003—Enhancement of Department of Defense Resources for Integrated Air and Missile Defense

This section provides $24.7 billion in mandatory funding for the following purposes: to develop and deploy new space and terrestrial based capabilities to detect and interdict missiles, including hypersonic missiles bound for the homeland with kinetic and non-kinetic means; to accelerate the deployment of ongoing missile defense systems, and to improve all related infrastructure.

Sec. 20004—Enhancement of Department of Defense Resources for Munitions and Supply Chain Resiliency

This section provides $20.4 billion in mandatory funding for the following purposes: to develop and acquire additional stocks of hypersonic, air-to-air, cruise, anti-ship, ballistic, and anti-radiation missiles; to develop and acquire additional stocks of torpedoes, mines, and underwater explosives; to develop and acquire additional stocks of munitions, ammunition, and one way attack autonomous systems; to improve infrastructure and expand capacity in the munitions industrial base; to expand domestic capacity to mine and refine rare earth elements and critical minerals; and to develop and acquire additional missile defense interceptors, counter UAS systems, and other air defense systems. This section also provides mandatory funds for loan and loan guarantees to develop reliable sources of critical minerals.

Sec. 20005—Enhancement of Department of Defense Resources for Scaling Low-Cost Weapons into Production

This section provides $13.5 billion in mandatory funding for the following purposes: to expand the capacity of the small UAS industrial base; to develop and deploy joint command and control tech-

nologies; to attract commercial innovation for defense capabilities; to expand joint prototyping and experimentation; to accelerate integrations of commercial innovation to support defense logistics; to expand programs to scale commercial technologies for defense purposes; to scale the development of low cost, attritable weapons systems; to improve the test, AI, and autonomy ecosystem; to expand quantum computing research; and to improve qualification activities and technical data management to enhance competition in the defense industrial base. This section also provides mandatory funds for Office of Strategic Capital loans and loan guarantees.

Sec. 20006—Enhancement of Department of Defense Resources for Improving the Efficiency and Cybersecurity of the Department of Defense

This section provides $380 million in mandatory funding for the following purposes: to replace antiquated business systems and deploy automation and artificial intelligence systems to accelerate the audit of Department financial statements; and to improve the cybersecurity of Department information technology systems.

Sec. 20007—Enhancement of Department of Defense Resources for Air Superiority

This section provides $7.2 billion in mandatory funding for the following purposes: to acquire additional and modernize existing fighter, cargo, tanker and special purpose aircraft; to prevent the retirement of certain fighter aircraft; and to acquire next generation manned and unmanned aircraft.

Sec. 20008—Enhancement of Resources for Nuclear Forces

This section provides $12.9 billion in mandatory funding for the following purposes: to accelerate the modernization of the nuclear deterrent; to improve the readiness of existing nuclear forces; and to improve the infrastructure and expand the scientific and production capacity of the nuclear enterprise.

Sec. 20009—Enhancement of Department of Defense Resources to Improve Capabilities of United States Indo-Pacific Command

This section provides $11.1 billion in mandatory funding for the following purposes: to improve military readiness through additional campaigning and exercises; to improve existing and build new infrastructure to support military operations; to improve kinetic, non-kinetic, and ISR capabilities; to expand offensive cyber operations; to resource economic security operations; to enhance space superiority; and to expand joint military training and provide additional military support to the government of Taiwan.

Sec. 20010—Enhancement of Department of Defense Resources for Improving the Readiness of the Armed Forces

This section provides $11.5 billion in mandatory funding for the following purposes: to acquire spare parts to keep ships, aircraft, and land systems mission capable; to modernize and improve the infrastructure of military depots and shipyards; to acquire addi-

tional capabilities for Special Operation Forces; to improve readiness of Marine Corps and National Guard units; and to acquire additional capabilities for Army and Marine Corps forces.

Sec. 20011—Improving Department of Defense Border Support and Counterdrug Missions

This section provides $5 billion in mandatory funding for the deployment and operation of military personnel and assets in support of Department of Homeland Security activities to the secure the borders of the United States.

Sec. 20012—Enhancement of Military Intelligence Programs

This section provides $2 billion in mandatory funding to improve certain military intelligence programs.

Sec. 20013—Department of Defense Oversight

This section provides $10 million in mandatory funding to the Department of Defense Inspector General to audit funds provided under this title. It also provides for the transmission to the Department of a classified memorandum regarding funds made available under this title for classified programs.

Sec. 20014—Military Construction Projects Authorized

This section provides authorization to use military construction funds provided under this title and requires the military departments to submit an expenditure plan to Congress for military construction projects funded under this title.

Sec. 20015—Plan Required

This section requires the Secretary of Defense to submit an expenditure plan to Congress for funding provided under this title. It also requires annual reports to Congress on the expenditure of funds made available under this title.

Sec. 20016—Limitation on Availability of Funds

This section prohibits the outlay of funds provided under this title beyond September 30, 2034.

TITLE III—COMMITTEE ON EDUCATION AND WORKFORCE

SECTION-BY-SECTION

SUBTITLE A—STUDENT ELIGIBILITY

Sec. 30001. Student Eligibility

• Student Eligibility. Streamlines the categories of non-citizens that would be eligible to receive a grant, loan, or work assistance under the *Higher Education Act* (HEA) to include lawful permanent residents (LPR), certain nationals of Cuba, certain nationals of Ukraine or Afghanistan, and individuals that are part of a Compact of Free Association.

Sec. 30002. Amount of Need; Cost of Attendance; Median Cost of College

• Amount of Need; Cost of Attendance; Median Cost of College. Caps the total amount of federal student aid a student can receive annually at the "median cost of college," defined as the median cost of attendance for students enrolled in the same program of study nationally and calculated by the Secretary using data from the previous award year.

• Exemption of Certain Assets. Restores exemptions of certain assets under the Free Application for Federal Student Aid.

SUBTITLE B—LOAN LIMITS

Sec. 30011. Loan Limits

• Termination of Authority to Make Certain Loans. Terminates authority to make Grad PLUS loans and subsidized loans for undergraduate students on or after July 1, 2026; includes a three-year exception for students who were enrolled in a program of study as of June 30, 2026, and had received such loans for such program.

• Unsubsidized Loans: Amends the maximum annual loan limit for unsubsidized loans disbursed on or after July 1, 2026, to the median cost of students' program of study; amends aggregate limits for such loans disbursed to students for an undergraduate program ($50,000), graduate program ($100,000), and professional program ($150,000).

• Parent PLUS Loans: Requires undergraduate students to exhaust their unsubsidized loans before parents can utilize Parent PLUS to cover their remaining cost of attendance; establishes an aggregate limit for Parent PLUS loans of $50,000 for parents on behalf of their dependent child; includes a three-year exception for students who were enrolled in a program of study as of June 30, 2026, and had received such loans for such program.

• Additional Reforms. Allows financial aid administrators to reduce annual borrowing limits below the statutory maximum as long as such limits are applied equally to all students; requires federal student loans to be pro-rated for students who are enrolled less than full-time.

SUBTITLE C—LOAN REPAYMENT

Sec. 30021. Loan Repayment

• Income-Contingent Repayment; Transition Authority; Limitation of Regulatory Authority. Terminates all repayment plans authorized under income-contingent repayment (ICR); requires the Secretary to transfer borrowers enrolled in an ICR plan or an administrative forbearance associated with such plans into the statutorily authorized income-based repayment (IBR) plan; prohibits the Secretary from issuing or modifying regulations with respect to IBR and the Repayment Assistance Plan with the exception of interim final rules with respect to transitioning borrowers to IBR, modifying IBR terms consistent with the Amendments made under this section, and implementing the Repayment Assistance Plan established under this section; waives negotiated rulemaking with re-

spect to transitioning borrowers to IBR and modifying the terms of such plan.

- Repayment Plans for Loans Before July 1, 2026. Maintains all current repayment options for borrowers with existing loans disbursed prior to July 1, 2026, with the exception of ICR; amends the terms of IBR to require borrowers to pay 15 percent of discretionary income, eliminates the standard repayment cap and partial financial hardship requirement, and requires borrowers to pay a maximum of 240 or 300 qualifying payments for undergraduate and graduate borrowers, respectively; allows borrowers with excepted PLUS loans who were enrolled in ICR to access IBR.
- Repayment Plans for Loans After July 1, 2026. Repeals all plans authorized under ICR for current and new borrowers. Terminates existing repayment plans for loans disbursed on or after July 1, 2026, and establishes the following new standard repayment plan and Repayment Assistance Plan for borrowers with such loans:
    - *Standard Repayment Plan.* Establishes a standard repayment plan with fixed monthly payments and repayment terms that range from 10 to 25 years based on the amount borrowed.
    - *Repayment Assistance Plan.* Establishes a new Repayment Assistance Plan with payments calculated based on borrowers' total adjusted gross income (AGI), ranging from 1 to 10 percent depending on a borrower's income; includes a minimum monthly payment of $10; offers balance assistance to borrowers making their required on-time payments by waiving unpaid interest and providing a matching payment-to-principal of up to $50; allows borrowers currently in repayment to enroll in such plan; includes a maximum repayment term equal to 360 qualifying payments, which may include previous payments made under ICR, IBR, and other qualifying existing plans.

Sec. 30022. Deferment; Forbearance

- Economic Hardship and Unemployment Deferments. Terminates economic hardship and unemployment deferments for loans disbursed on or after July 1, 2025.
- Discretionary Forbearances. Amends the terms of discretionary forbearances for loans disbursed on or after July 1, 2025, to prohibit use of such forbearances for more than nine months during a 24-month period.
- Medical and Dental Residency Deferment. Amends the terms of medical and dental residency deferments for loans disbursed on or after July 1, 2025, to allow for zero interest accrual for up to four years.

Sec. 30023. Loan Rehabilitation

- Loan Rehabilitation. Allows borrowers with existing and new defaulted loans to rehabilitate their loans twice instead of once allowing these borrowers a smoother transition out of default and into repayment; requires payments for rehabilitation to be no less than $10 for loans disbursed on or after July 1, 2025.

Sec. 30024. Public Service Loan Forgiveness

• Repayment Assistance Plan. Allows payments made under the Repayment Assistance Plan to count as a qualifying payment for purposes of Public Service Loan Forgiveness (PSLF).

• Qualifying Jobs. Clarifies that payments made by new borrowers on or after July 1, 2025, who are serving in a medical or dental residency do not count as a qualifying payment for purposes of PSLF.

Sec. 30025. Student Loan Servicing

• Additional Mandatory Funds. Provides $500 million in each of the fiscal years 2025 and 2026 to the Secretary for costs associated with returning borrowers back into repayment on their loans and to help with the costs of building the new repayment plan.

SUBTITLE D—PELL GRANTS

Sec. 30031. Eligibility

• Foreign Income. Requires foreign income exempt from taxation or foreign income for which an individual receives a foreign tax credit to be included in the AGI calculation for purposes of calculating Pell Grant eligibility.

• Ineligibility Due to High Student Aid Index. Students with a student aid index that equals or exceeds twice the amount of the maximum Pell Grant amount are rendered ineligible for Pell, regardless of their AGI.

• Definition of Full Time Enrollment. Defines full time for purposes of the Pell Grant as expected to complete at least 30 semester or trimester hours, or 45 quarter credit hours (or the clock hour equivalent) in each academic year.

• Ineligibility for Less Than Half Time Enrollment. Requires students to be enrolled on at least a half-time basis (expected to complete at least 15 semester or trimester hours) in each academic year to be eligible to receive a Pell Grant.

Sec. 30032. Workforce Pell Grants

• Workforce Pell Grant Program. Expands eligibility for Pell Grants on or after July 1, 2026, to students enrolled in short-term, high-quality, workforce aligned programs that meet the requirements of this section; includes guardrails for student outcomes including value-added earnings, completion rates, and job placement rates; allows students enrolled in programs operating outside of the accreditation system to be eligible for such grants.

Sec. 30033. Pell Shortfall

• Additional Funds. Provides $10.5 billion for fiscal years 2026, 2027, and 2028 to reduce the funding shortfall for the Pell Grant program.

SUBTITLE E—ACCOUNTABILITY

Sec. 30041. Agreements with Institutions

• Agreements with Institutions. Creates skin-in-the-game accountability for colleges and universities by amending the terms of

the Direct Loan program participation agreement to require institutions to reimburse the Secretary for a percentage of the non-repayment balance associated with loans disbursed on or after July 1, 2027; calculates the reimbursement percentage based on the total price the institution charges students for a program of study and the value-added earnings of students after they graduate or, in the case of students who do not graduate, the completion rate of the institution or program.

- *Penalties for Late or Missed Payments:* Establishes escalating penalties for late payments, starting with requiring institutions to pay interest on late payments and scaling up to loss of Title IV eligibility.
- *Relief for Voluntary Program Closure:* Waives 50 percent of payments due for a given program if an IHE voluntarily agrees to cease disbursement of federal student loans for the program (or a substantially similar program) for 10 years.
- *Reservation of Funds*. Requires the Secretary to reserve all reimbursements received from institutions for the purpose of awarding PROMISE Grants.

Sec. 30042. Campus-Based Aid Programs

- PROMISE Grants. Establishes a "PROMISE" program to provide performance-based grants to institutions.
  - *Funding Formula.* Provides funds to institutions based on a formula that rewards colleges for strong earnings outcomes, low tuition, and enrolling and graduating low-income students; sets the maximum amount an institution can receive annually at $5,000 per federal student aid recipient.
  - *Use of Funds.* Provides flexibility to use funds to meet the maximum price guarantee required under the program, as well as other initiatives to improve o college affordability, college access, and student successes in ways that best suit the needs of the institution and its students; requires institutions to report and evaluate how funds are used and disseminate best practices based on those evaluations.
  - *Maximum Price Guarantee.* Requires that, as a condition of receiving PROMISE grants, institutions must provide prospective students a guaranteed maximum total price for a given program of study based on income and financial need categories established by the Secretary; requires such guarantee to be for a minimum period of enrollment (up to six years or the institution's median time to completion, whichever is less).

SUBTITLE F—REGULATORY RELIEF

Sec. 30051. Regulatory Relief

- 90/10 Rule. Permanently repeals the 90/10 rule which targeted one sector of higher education in favor of creating a sector-neutral accountability plan.
- Gainful Employment. Permanently repeals the Gainful Employment rule which unfairly targeted one sector of higher education.

• Other Repeals. Repeals the Biden-Harris administration's regulations pertaining to borrower defense to repayment and closed school discharges.

SUBTITLE G—LIMITATION ON AUTHORITY

Sec. 30061. Limitation on Authority of the Secretary to Propose or Issue Regulations and Executive Actions

• Limits on Authority. Requires the Secretary to confirm that any new regulations or executive actions issued related to the student loan program will not increase costs to the federal government. Prohibits any regulations from being issued that cannot meet that threshold.

TITLE IV—ENERGY AND COMMERCE

SECTION-BY-SECTION EXPLANATION

SUBTITLE A—ENERGY

Section 41001. Rescissions relating to certain Inflation Reduction Act programs

This section would rescind the unobligated balance of any amounts made under the following sections of the Inflation Reduction Act (IRA).

a. State-Based Energy Efficiency Training Grants—This would rescind the unobligated balance of any remaining amounts made under section 50123 of the Inflation Reduction Act, the State-Based Energy Efficiency Training Grants. This program was intended to provide training assistance and education for the implementation of the IRA's Home Energy Whole-House Rebate Program (Sec. 50121) or the High-Efficiency Electric Home Rebate Program (Sec. 50122) for additional home energy efficiency upgrades and retrofits.

b. Funding for Department of Energy Loan Program Office—This would rescind the unobligated balance of any amounts made under section 50141 of the Inflation Reduction Act, Funding for Department of Energy Loan Program Office. This provided funding to cover the cost of credit subsidies associated with loan guarantees made under Section 1703 of the Energy Policy Act of 2005, which authorized loans for unproven technologies.

c. Advanced Technology Vehicle Manufacturing—This would rescind the unobligated balance of any amounts made under section 50142 of the Inflation Reduction Act, Advanced Technology Vehicle Manufacturing. This funding covered the cost of credit subsidies to provide loans for vehicle and vehicle supply chain manufacturing facilities.

d. Energy Infrastructure Reinvestment Financing—This would rescind the unobligated the balance of any amounts made under section 50144 of the Inflation Reduction Act, Energy Infrastructure Reinvestment Financing. The IRA established this program to provide funds to cover the cost of loan guarantees under another new loan program known as the Energy Infrastructure Reinvestment Financing program. Unlike projects in the traditional Department of Energy (DOE) loan programs focused on new, innovative tech-

nologies, this program authorized loans for retooling, repowering, or replacing energy infrastructure that has ceased operations.

e. Tribal Energy Loan Guarantee Program—This would rescind the unobligated balance of any amounts that were supposed to be made available under section 50145 of the IRA for the Tribal Energy Loan Guarantee Program. These funds covered credit subsidies under the Tribal Energy Loan Guarantee Program, which the Energy Policy Act of 1992 authorized.

f. Transmission Facility Financing—This would rescind the unobligated balance of any amounts made under section 50151 of the Inflation Reduction Act, Transmission Facility Financing. This program was intended to pay direct loans to non-federal borrowers for transmission facilities designated under Section 216(a) of the Federal Power Act, in a National Interest Electric Transmission Corridor (NIETC). While a small number of NIETCs were designated, no loans were awarded from this program.

g. Grants to Facilitate the Siting of Interstate Electricity Transmission Lines—This would rescind the unobligated balance of any amounts made under section 50152 of the Inflation Reduction Act, Grants to Facilitate the Siting of Interstate Electricity Transmission Lines. This program provides grants to transmission siting authorities (state, local and tribal governments) to facilitate siting and permitting for certain interstate and offshore electricity transmission lines.

h. Interregional and Offshore Wind Electricity Transmission Planning, Modeling, and Analysis—This would rescind the unobligated balance of any amounts made under section 50153 of the Inflation Reduction Act, Interregional and Offshore Wind Electricity Transmission Planning, Modeling, and Analysis. The program intended to cover expenses associated with interregional and offshore wind electricity transmission planning, modeling, and analysis.

i. Advanced Industrial Facilities Deployment Program—This would rescind the unobligated balance of any amounts made under section 50161 of the Inflation Reduction Act, Advanced Industrial Facilities Deployment Program. This program was meant to provide financial assistance—grants, direct loans, rebates, or cooperative agreements—to industrial or manufacturing facilities to subsidize technology installations with the stated intent of reducing greenhouse gas emissions.

Section 41002. FERC certificates and fees for certain energy infrastructure at international boundaries of the United States

Notwithstanding any requirements or statutory obligations under federal and state law, including siting, environmental and safety reviews, and permitting, Section 41002 requires an application for a certificate of crossing for cross-border energy infrastructure to include a $50,000 payment, and directs the Federal Electricity Regulatory Commission to issue the certificate. No person may construct, connect, operate, or maintain a cross-border segment for the import or export of designated energy products, or the transmission of electricity, without first obtaining the certificate of crossing. This fee structure does not apply to cross-border segments that were previously approved by a Presidential permit.

Section 41003. Natural gas exports and imports

Under Section 41003, applications to the Secretary of Energy to export natural gas from the United States to a non-free trade agreement country shall include a $1,000,000 user fee paid by the applicant. Upon receipt of the application and collection of the fee, the Secretary of Energy shall deem the application in the public interest. This Section does not alter or impact the applicant's existing obligations and requirements under the Natural Gas Act or the Federal Energy Regulatory Commission's authorities.

Section 41004. Funding for Department of Energy loan guarantee expenses

Section 41004 appropriates $5,000,000 to the Department of Energy to remain available for 5 years to carry out section 116 of the Alaska Natural Gas Pipeline Act (15 U.S.C. 720n).

Section 41005. Expedited Permitting

Section 41005 allows applicants for an authorization under Section 3, or a certificate of public convenience and necessity under section 7 of the Natural Gas Act, to participate voluntarily in an expedited permitting process upon the payment of $10,000,000 or one percent of the project's projected capital cost.

Within one year of payment of the fee, each Federal, State, interstate, or Tribal agency with relevant authorities shall review and approve Federal authorizations, subject to any conditions determined necessary to comply with the underlying statute by the agency. For States, this includes their authorities to impose conditions for any certifying authorities delegated to States by federal law. Following such approval, the Federal Electricity Regulatory Commission (FERC) shall review the application and approve the application subject to any conditions determined necessary by FERC.

The Commission may extend this timeline by a period of 6 months if granted consent by the applicant. Should the authorization not be approved under the applicable deadline, it shall be deemed approved, notwithstanding any procedural requirements of the underlying law.

No court shall have jurisdiction to review a claim under this section except for a claim brought by the applicant or a person who has suffered, or likely and imminently will suffer, direct and irreparable economic harm from the approval. An organization may only bring a claim on behalf of one or more of its members if each member of the organization or association has suffered, or likely and imminently will suffer, harm. Courts shall apply clear and convincing evidence as the standard of review for such claims. The United States Court of Appeals for the D.C. Circuit shall have original and exclusive jurisdiction over any claim alleging the invalidity of the process or that the federal authorization is beyond the scope of authority granted by the federal law to such agency.

Section 41006. Carbon dioxide, hydrogen, and petroleum pipeline permitting

Pursuant to Section 41006, applicants for carbon dioxide, oil, or hydrogen pipeline projects, as defined by section 60102(i) of title 49

of the U.S. Code, may apply for a license authorizing the project to be considered in the same manner, and in accordance with the requirements of, an application for a certificate of public convenience and necessity under section 7 of the Natural Gas Act, including a fee of $10,000,000.

Section 41007. De-Risking Compensation Program

Section 41007 would appropriate $10 million, to remain available through September 30, 2034, for administrative costs for the Secretary of Energy to establish a De-Risking Compensation Program at the Department of Energy. The program would provide compensation to sponsors of federally permitted energy projects that enroll in the program for unrecoverable capital losses caused by subsequent federal actions that revoke permits or approvals, or cancel, delay, or render the project unviable. The program would be available to applicants who invest in energy projects relating to coal, critical minerals, oil, natural gas, or nuclear energy and are valued at no less than $30 million. The sponsors would pay 5 percent of their projected share of capital contribution to the project and an annual premium into a Treasury Department fund. Upon demonstration of unrecoverable losses due to subsequent federal actions that caused the losses, the Secretary of Energy would compensate the project sponsor for up to the full amount of the loss from the available funds.

Section 41008. Strategic Petroleum Reserve

Section 41008 appropriates $2,000,000,000 to the Department of Energy for fiscal year 2025 for activities related to the Strategic Petroleum Reserve. Of this amount, $218,000,000 is appropriated for repairs to the caverns, and $1,321,000,000 is appropriated for the acquisition of petroleum products for storage in the Strategic Petroleum Reserves. The remaining funding is appropriated to the Department of Energy to buy back the sales mandates by Section 20003 of Public Law 115–97.

Section 41009. Rescissions of previously appropriated unobligated funds

Section 41009 would rescind the previously appropriated unobligated balances from the base appropriations for the following programs; Office of Inspector General, Office of Clean Energy Demonstrations, Office for Human Capital, Federal Energy Management Programs, State and Community Energy Programs, Office of Minority Economic Impact, Office of Energy Efficiency and Renewable Energy, Office of General Counsel, Office of Indian Energy Policy and Programs, Office of Management, Office of the Secretary, Office of Public Affairs, and the Office of Policy at the Department of Energy. These rescissions do not include funds appropriated under the Inflation Reduction Act, Infrastructure Investment and Jobs Act, and any funds from emergency appropriations. Amounts rescinded in this section do not include current, FY 2025, base year appropriations.

SUBTITLE B—ENVIRONMENT

PART 1—REPEALS AND RESCISSIONS

Section 42101. Repeal and rescission relating to clean heavy-duty vehicles

This section repeals section 132 of the Clean Air Act and rescinds any unobligated balance made available under section 132. This portion of the IRA established a program to grant awards for purchasing electric vehicles.

Section 42102. Repeal and rescission relating to grants to reduce air pollution at ports

This section repeals section 133 of the Clean Air Act and rescinds any unobligated balance made available under that section. This section of the IRA created a competitive grant and rebate program for the purchase of zero-emission port equipment or technology.

Section 42103. Repeal and rescission relating to grants to the Greenhouse Gas Reduction Fund

This section repeals section 134 of the Clean Air Act and rescinds any unobligated balance made available under that section. This section of the IRA appropriated funds to the Environmental Protection Agency (EPA) to establish grant programs commonly referred to as "Green Banks."

Section 42104. Repeal and rescission relating to diesel emissions reductions

This section repeals section 60104 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This portion of the IRA appropriated additional funds to the Diesel Emissions Reduction Act for use only in certain communities.

Section 42105. Repeal and rescission relating to funding to address air pollution

This section repeals section 60105 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This provision appropriated additional funds for air monitoring.

Section 42106. Repeal and rescission relating to funding to address air pollution at schools

This section repeals section 60106 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This section of the IRA provides grants for monitoring and reducing air pollution in schools, technical assistance, and design, construction and renovation standards for school buildings.

Section 42107. Repeal and rescission relating to low emissions electricity program

This section repeals section 135 of the Clean Air Act and rescinds any unobligated balance made available under that section. This portion of the IRA appropriated money for consumer related education, technical assistance, industry related outreach, intergovern-

mental outreach related to the reduction of emissions from domestic electrical generation.

Section 42108. Repeal and rescission relating to funding for Section 211(o) of the Clean Air Act

This section repeals section 60108 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This provision of the IRA does not fund the EPA's administration of the program. Rather, the funding is for data collection of greenhouse gas emissions and testing the environmental impact of biofuels.

Section 42109. Repeal and rescission relating to funding for implementation of the American Innovation and Manufacturing Act

This section repeals section 60109 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This section of the IRA does not amend or alter the American Innovation and Manufacturing (AIM) Act, it merely provides funds to assist with AIM Act implementation and compliance.

Section 42110. Repeal and rescission relating to funding for enforcement technology and public information

This section repeals section 60110 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This provision of the IRA provides funding to update software used by EPA and states to track environmental compliance actions.

Section 42111. Repeal and rescission relating to greenhouse gas corporate reporting

This section repeals section 60111 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This provision of the IRA provided funding for enhanced standardization and transparency for corporate climate action commitments.

Section 42112. Repeal and rescission relating to environmental product declaration assistance

This section repeals section 60112 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This section of the IRA provided funding to create environmental product declarations advertising the environmental impact of products.

Section 42113. Repeal of funding for Methane Emissions and Waste Reduction Incentive Program for petroleum and natural gas systems

This section repeals subsections (a) and (b) of section 136 of the Clean Air Act and rescinds any unobligated balance made available under that section. These repeals and amendments extend by 10 years the date by which the charge associated with the Methane Emissions Reduction Program shall begin to be imposed and collected.

Section 42114. Repeal and rescission relating to greenhouse gas air pollution plans and implementation grants

This section repeals section 137 of the Clean Air Act and rescinds any unobligated balance made available under that section. This section of the IRA establishes a slush fund for states, local governments and Tribes to use for "Climate Change Action Plans" and environmental justice initiatives.

Section 42115. Repeal and rescission relating to Environmental Protection Agency efficient, accurate, and timely reviews

This section repeals section 60115 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This section of the IRA funds the hiring and training new staff and conflict with EPA's initiatives to create a more effective and efficient workforce, along with President Trump's executive orders to reduce government spending and waste. The funding does not address the root causes of permitting delays and conflicts with EPA's current directives.

Section 42116. Repeal and rescission relating to low-embodied carbon labeling for construction materials

This section repeals section 60116 of Public Law 117–169 and rescinds any unobligated balance made available under that section. This provision of the IRA provided funding to administer a program that would identify and label construction materials and products with low greenhouse gas emissions life cycles.

Section 42117. Repeal and rescission relating to environmental and climate justice block grants

This section repeals section 138 of the Clean Air Act and rescinds any unobligated balance made available under that section. This section of the IRA funds programs designated as environmental justice programs.

PART 2—REPEAL OF EPA RULE RELATING TO MULTI-POLLUTANT EMISSION STANDARDS

Section 42201. Repeal of EPA rule relating to multi-pollutant emissions standards for light- and medium-duty vehicles

This section repeals the final rule issued by the Environmental Protection Agency relating to "Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles."

PART 3—REPEAL OF NHTSA RULE RELATING TO CAFE STANDARDS

Section 42301. Repeal of NHTSA rule relating to CAFE standards for passenger cars and light trucks

This section repeals the final rule issued by the National Highway Traffic Safety Administration relating to "Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027 and Beyond and Fuel Efficiency Standards for

Heavy-Duty Pickup Trucks and Vans for Model Years 2030 and Beyond."

SUBTITLE C—COMMUNICATIONS

PART 1—SPECTRUM AUCTIONS

Section 43101. Identification and auction of spectrum

Subsection (a) would require the National Telecommunications and Information Administration (NTIA) and the Federal Communications Commission (FCC), not later than 2 years after enactment of this Act, to identify at least 600 megahertz (MHz) of commercial or federal spectrum in the covered band to be auctioned by 2034. It would also require the President, acting through the Assistant Secretary for Communications and Information, to withdraw or modify the assignments to Federal Government stations of spectrum identified, and notify the Commission not later than 30 days after completing any necessary withdrawals or modifications. It includes a rule of construction to ensure that nothing in this section changes the respective authorities of the NTIA or the FCC with respect to spectrum allocated for Federal use, non-Federal use, or shared Federal and non-Federal use.

Subsection (b) would require the FCC to auction the spectrum identified in subsection (a) on an exclusive, licensed basis for mobile broadband services, fixed broadband services, mobile and fixed broadband services, or a combination thereof. Specifically, not later than 3 years after the data of enactment, the FCC would be required to auction at least 200 MHz of the identified spectrum under subsection (a), and not later than 6 years after the date of enactment, auction the remaining spectrum identified under subsection (a).

Subsection (c) would require auction proceeds to cover 110 percent of federal relocation or sharing costs as required under section 309(j)(16)(B) of the Communications Act of 1934.

Subsection (d) would reauthorize the FCC's spectrum auction authority through September 30, 2034.

Subsection (e) defines key terms. Specifically, it defines the "covered band" as the band of frequencies between 1.3 gigahertz (GHz) and 10 GHz, inclusive, excluding the band of frequencies between 3.1 GHz and 3.45 GHz and the band of frequencies between 5.925 GHz and 7.125 GHz.

PART 2—ARTIFICIAL INTELLIGENCE AND INFORMATION TECHNOLOGY MODERNIZATION

Section 43201. Artificial intelligence and information technology modernization initiative

Subsection (a) would appropriate $500,000,000 to the Department of Commerce for fiscal year 2025, to remain available through September 30, 2035, for the purpose of modernizing and securing federal information technology systems through the deployment of commercial artificial intelligence, automation technologies, and the replacement of antiquated business systems.

Subsection (b) states that the Secretary of Commerce shall use these funds to support the replacement and modernization of leg-

acy business systems with state-of-the-art commercial artificial intelligence systems and automated decision systems, the adoption of artificial intelligence models that increase operational efficiency and service delivery, and improve the cybersecurity posture of Federal information technology systems through modernized architecture, automated threat detection, and integrated artificial intelligence solutions.

Subsection (c) states that no state or political subdivision may enforce any law or regulation regulating artificial intelligence models, artificial intelligence systems, or automated decision systems during the 10-year period beginning on the date of the enactment of this Act.

Subsection (d) provides definitions for key terms used in the Act, including "artificial intelligence", "artificial intelligence model", "artificial intelligence system", and "automated decision system".

SUBTITLE D—HEALTH

PART 1—MEDICAID

Subpart A—Reducing Fraud and Improving Enrollment Processes

Section 44101. Moratorium on implementation of rule relating to eligibility and enrollment in Medicare Savings Programs

This section requires the Department of Health and Human Services (HHS) to delay implementation, administration, or enforcement of the final rule titled "Streamlining Medicaid; Medicare Savings Program Eligibility Determination and Enrollment" until January 1, 2035.

Section 44102. Moratorium on implementation of rule relating to eligibility and enrollment for Medicaid, CHIP, and the Basic Health Program

This section requires HHS to delay implementation, administration, or enforcement of the final rule titled "Medicaid Program; Streamlining the Medicaid, Children's Health Insurance Program, and Basic Health Program Application, Eligibility Determination, Enrollment, and Renewal Processes" until January 1, 2035.

Section 44103. Ensuring appropriate address verification under the Medicaid and CHIP programs

This section requires states to establish processes to regularly obtain beneficiary address information from reliable data sources, including by requiring state Medicaid programs to collect address information provided by beneficiaries to managed care entities (where applicable). In addition, this section requires HHS to establish a system to prevent individuals from being simultaneously enrolled in multiple State Medicaid programs by no later than October 1, 2029. States would be required to submit to the system the Social Security Number of the individual enrolled under the State plan to identify when Social Security Numbers for individuals enrolled in Medicaid are identified concurrently in two or more States at the same time.

Section 44104. Modifying certain state requirements for ensuring deceased individuals do not remain enrolled

This section requires state Medicaid programs to check the Social Security Administration's Death Master File on at least a quarterly basis to determine whether Medicaid enrollees are deceased and to disenroll individuals who are determined to be deceased from Medicaid coverage.

Section 44105. Medicaid provider screening requirements

This section requires states to conduct monthly checks of databases or similar systems to determine whether HHS or another state has already terminated a provider or supplier from participating in Medicaid and to also disenroll them from the state's Medicaid program.

Section 44106. Additional Medicaid provider screening requirements

This section codifies the requirement that state Medicaid programs check, as part of the provider enrollment and re-enrollment process and on a quarterly basis thereafter, the Social Security Administration's Death Master File to determine whether providers are deceased and enrolled in the state's Medicaid program.

Section 44107. Removing good faith waiver for payment reduction related to certain erroneous excess payments under Medicaid

This section requires HHS to reduce federal financial participation (FFP) to States for errors identified through the ratio of a State's erroneous excess payments for medical assistance, by the Office of the Inspector General, or by the Secretary are directly attributable to payments to ineligible individuals or for ineligible services.

Section 44108. Increasing frequency of eligibility redeterminations for certain individuals

This section requires States to conduct eligibility determinations for Expansion population adults every six months. Current law currently requires such determinations to occur on every twelve months.

Section 44109. Revising home equity limit for determining eligibility for long-term care services under the Medicaid program

This section establishes a ceiling of $1,000,000 for permissible home equity values for individuals when determining allowable assets for Medicaid beneficiaries that are eligible for long-term care services. This section also prohibits the use of asset disregards from being applied to waive home equity limits.

Section 44110. Prohibiting federal financial participation under Medicaid and CHIP for individuals without verified citizenship, nationality, or satisfactory immigration status

This section prohibits FFP in Medicaid for individuals whose citizenship, nationality, or immigration status has not been verified, including during reasonable opportunity periods when an individual has not yet verified citizenship, nationality, or immigration status. Current law permits states to enroll individuals in coverage immediately and then provide 90-day reasonable opportunities that allow individuals to immediately begin receiving coverage and then wait up to 90 days before verifying citizenship or immigration status, all while receiving FFP during this period. This policy permits states, at the state's option, to provide coverage during a reasonable opportunity period in which an individual may not yet have provided evidence of citizenship, nationality, or immigration status, so long as the state does not request FFP until citizenship, nationality, or immigration status have been verified.

Section 44111. Reducing expansion FMAP for certain states providing payments for health care furnished to certain individuals

This section reduces by ten percent the Federal Medical Assistance Percentage (FMAP) for Medicaid Expansion States who use their Medicaid infrastructure to provide health care coverage for illegal immigrants under Medicaid or another state-based program.

Subpart B—Preventing Wasteful Spending

Section 44121. Moratorium on implementation of rule relating to staffing standards for long-term care facilities under the Medicare and Medicaid programs

This section requires HHS to delay implementation, administration, or enforcement of the final rule titled "Medicare and Medicaid Programs; Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting" until January 1, 2035.

Section 44122. Modifying retroactive coverage under the Medicaid and CHIP programs

This section limits retroactive coverage in Medicaid to one month prior to an individual's application date. Current law provides retroactive coverage for up to three months before an individual's application date.

Section 44123. Ensuring accurate payments to pharmacies under Medicaid

This section requires participation by retail and applicable non-retail pharmacies in the National Average Drug Acquisition Cost (NADAC) survey. The NADAC survey measures pharmacy acquisition costs and is often used in the Medicaid program to inform reimbursement to pharmacies.

Section 44124. Preventing the use of abusive spread pricing in Medicaid

This section bans "spread pricing" in the Medicaid program, which occurs when pharmacy benefit managers retain a portion of the amount paid to them (a "spread") for prescription drugs.

Section 44125. Prohibiting federal Medicaid and CHIP funding for gender transition procedures for minors

This section prohibits FFP for specified gender transition procedures to individuals under the age of 18.

Section 44126. Federal payments to prohibited entities

This section prohibits Medicaid funds to be paid to providers that are nonprofit organizations, that are essential community providers that are primarily engaged in family planning services or reproductive services, provide for abortions other than for Hyde Amendment exceptions, and which received $1,000,000 or more (to either the provider or the provider's affiliates) in payments from Medicaid payments in 2024.

Subpart C—Stopping Abusive Financing Practices

Section 44131. Sunsetting eligibility for increased FMAP for new expansion states

This section sunsets the temporary five percent enhanced FMAP afforded to states under the American Rescue Plan Act that opt to expand Medicaid. This provision would apply prospectively, not affecting states currently receiving an enhanced federal match under this authority.

Section 44132. Moratorium on new or increased provider taxes

This section freezes, at current rates, states' provider taxes in effect as of the date of enactment of this legislation and prohibits states from establishing new provider taxes.

Section 44133. Revising the payment limit for certain state directed payments

This section directs HHS to revise current regulations to limit state directed payments for services furnished on or after the enactment of this legislation from exceeding the total published Medicare payment rate. This section would not affect total payment rates for state directed payments approved prior to this legislation's enactment.

Section 44134. Requirements regarding waiver of uniform tax requirement for Medicaid provider tax

This section modifies the criteria HHS must consider when determining whether certain health care-related taxes are generally redistributive. Under this section, a tax would not be considered generally redistributive if, within a permissible class, the tax rate imposed on the taxpayer or tax rate group explicitly defined by its relatively lower volume or percentage of Medicaid taxable units is lower than the tax rate imposed on any other taxpayer or tax rate

group explicitly defined by its relatively higher volume or percentage of Medicaid taxable units. The tax would also not be considered generally redistributive if, within a permissible class, the tax rate imposed on any taxpayer or tax rate group based upon its Medicaid taxable units is higher than the tax rate imposed on any taxpayer or tax rate group based upon its non-Medicaid taxable unit.

If a State has a health care-related tax waiver that meets at least one of these criteria as of the date of enactment of this legislation, the waiver must be modified to comply with these requirements. This section provides a transition period for non-compliant programs, after which a State whose health care-related taxes do not adhere to all federal requirements would be penalized by the sum of those revenues received by State.

Section 44135. Requiring budget neutrality for Medicaid demonstration projects under section 1115

This section provides budget neutrality requirements for demonstration projects under section 1115 of the Social Security Act. HHS would be required to certify that the total expenditures for FFP do not exceed what would otherwise have been spent under Title XIX absent the demonstration project. HHS must also develop methodologies for applying savings generated under a project as allowable costs to be spent in a project's extension.

Subpart D—Increasing Personal Accountability

Section 44141. Requirement for states to establish Medicaid community engagement requirements for certain individuals

This section requires states to establish community engagement requirements for able-bodied adults without dependents. An individual can meet the community engagement requirements during a month by working at least 80 hours, completing at least 80 hours of community service, participating in a work program for at least 80 hours, enrolling in an educational program for at least 80 hours, or a combination of these activities for at least 80 hours.

The requirements of this section would not apply to the following individuals: pregnant women, individuals under the age of 19 or over the age of 64, foster youth and former foster youth under the age of 26, members of a Tribes, individuals who are considered medically frail (which includes, but is not limited to, individuals who are blind or disabled, who have a chronic substance use disorder, who have a serious and complex medical condition, or who have a condition, as defined by the State and approved by the Secretary, as meeting the definition of medically frail), individuals who are already in compliance with the work requirements under the Temporary Assistance for Needy Families (TANF) program or Supplemental Nutrition Assistance Program (SNAP), individuals who are a parent or caregiver of a dependent child or an individual with a disability, or are incarcerated or recently released from incarceration within the past 90 days. This section also provides short-term hardship waivers for natural disasters and for counties where the unemployment rate is greater than eight percent or greater than 150 percent of the national average.

Compliance with community engagement requirements would be verified by states no less frequently than for the month preceding an individual's enrollment in Medicaid and in a month preceding the individual's eligibility redetermination and verified as part of an individual's overall eligibility determination or redetermination. States would be required to provide regular, advanced notice and outreach to make individuals aware of the requirements, would be required to streamline and simplify processes to verify compliance to reduce burdens on individuals, and to establish due process procedures for individuals before denying coverage or removing individuals from coverage.

Section 44142. Modifying cost sharing requirements for certain expansion individuals under the Medicaid program

This section requires states to impose cost sharing on Medicaid Expansion adults with incomes over 100 percent of the federal poverty level (FPL). This cost-sharing may not exceed $35 per service—rather than the current $100 per service limit. Cost sharing may not exceed five percent of the individual's income, which is the current out-of-pocket limit for Medicaid beneficiaries. This section would not permit cost-sharing on primary care, prenatal care, pediatric care, or emergency room care (except for non-emergency care provided in an emergency room).

PART 2—AFFORDABLE CARE ACT

Section 44201. Addressing waste, fraud, and abuse in the ACA exchanges

This section would institute eligibility and income verification processes for Patient Protection and Affordable Care Act (ACA) enrollees. In addition, it would roll back income-based special enrollment periods in the federally-facilitated and state ACA exchanges. This section would also make technical changes to health plans offered via the ACA exchanges. It would institute ACA reenrollment guardrails for enrollees in zero-dollar premium health plans. Additionally, this section would prohibit gender transition procedures from being included as an essential health benefit (EHB), and it would amend the definition of "lawfully present" for the purposes of qualified health plan enrollment. This section would also permit issuers to require enrollees to satisfy debt for past-due premiums as a prerequisite for effectuating new health coverage. The provisions within this section would take effect for plan years beginning on or after January 1, 2026.

PART 3—IMPROVING AMERICANS' ACCESS TO CARE

Section 44301. Expanding and clarifying the exclusion for orphan drugs under the drug price negotiation program

This section makes technical corrections to current law by permitting product sponsors to have one or more orphan drug indication in order to be exempt from the Drug Price Negotiation Program in statute. Current law limits exemptions from the Drug Price Negotiation Program to one rare disease indication. This section also revises the start of the timeline in which a manufacturer

would be eligible for negotiation until an orphan drug receives its first non-orphan indication.

Section 44302. Streamlined enrollment process for eligible out-of-state providers under Medicaid and CHIP

For purposes of improving access to necessary out-of-state care for children enrolled in Medicaid and the Children's Health Insurance Program (CHIP), this section requires states to establish a process through which qualifying pediatric out-of-state providers may enroll as participating providers without undergoing additional screening requirements.

Section 44303. Delaying DSH reductions

This section delays the Medicaid Disproportionate Share Hospital (DSH) reductions, currently $8 billion reductions per year that are set to take effect for fiscal years 2026 through 2028, to instead take effect for fiscal years 2029 through 2031. This section also extends funding for Tennessee's DSH program, which is set to expire at the end of this fiscal year, through fiscal year 2028.

Section 44304. Modifying update to the conversion factor under the physician fee schedule under the Medicare program

This section amends current law by replacing the split physician fee schedule conversion factor set to take effect on January 1, 2026, with a new single conversion factor based on a percentage of medical inflation, or the Medicare Economic Index (MEI).

Section 44305. Modernizing and ensuring PBM accountability

This section requires Pharmacy Benefit Managers (PBMs) in Medicare Part D to transparently share information relating to business practices with Medicare Part D Prescription Drug Plan Sponsors, including information relating to formulary decisions and prescription drug coverage that benefits affiliated pharmacies. The policy also prohibits PBM compensation based on a drug's list price, limiting compensation to fair market bona-fide service fees. Lastly, the legislation requires the Centers for Medicare and Medicaid Services to define "reasonable and relevant" contracting terms for the purposes of enforcing Medicare Part D's "any willing pharmacy" requirements.

TITLE V—COMMITTEE ON FINANCIAL SERVICES

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 50001. Green and Resilient Retrofit Program for Multifamily Family Housing

Section 50001 rescinds the unobligated balance of amounts remaining under section 300002(a) of the Inflation Reduction Act.

Section 50002. Public Company Accounting Oversight Board

Section 50002 eliminates the Public Company Accounting Oversight Boards (PCAOB) authority to independently collect and spend

accounting support fees and instead directs that such fees be remitted to the U.S. Treasury. The Securities and Exchange Commission (SEC) would continue these responsibilities and further fee collection would be discontinued.

Section 50003. Bureau of Consumer Financial Protection

Section 50003 modifies the Consumer Financial Protection Boards authority to draw funds from the Federal Reserve to a maximum of 5 percent of the Federal Reserves total operating expenses for fiscal year 2009 for FY 2025 and adjusting it for inflation thereafter.

This section also restricts the Consumer Financial Protection Board from holding an unobligated balance of greater than 5 percent of the revised transfer amount from the Federal Reserve and it requires any funds exceeding that percentage be transferred to the general fund of the U.S. Treasury.

Section 50004. Consumer Financial Civil Penalty Fund

Section 50004 requires the Consumer Financial Protection Bureau to return to the general fund of the U.S. Treasury any civil penalties remaining in the Consumer Financial Civil Penalty Fund after payment to direct victims.

This section also removes the use of the Consumer Financial Civil Penalty Fund for consumer education and financial literacy.

Section 50005. Financial Research Fund

Section 50005 caps assessments collected by the Office of Financial Research, limiting them to the average actual budgetary expenses of the Financial Stability Oversight Council over the preceding three fiscal years and requires excess funds to be transferred to the general fund of the U.S. Treasury.

This section also prohibits the Office of Financial Research from collecting assessments that would cause the Financial Research Fund to exceed this cap.

TITLE VI—COMMITTEE ON HOMELAND SECURITY

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 60001. Border Barrier System Construction, Invasive Species, and Border Security Facilities Improvements

This section appropriates $46,500,000,000 to the Commissioner of U.S. Customs and Border Protection (CBP) for construction, installation, or improvements of primary, waterborne, and secondary barriers, as well as technology upgrades such as, but not limited to, lighting, surveillance systems, smart access roads, and fiber optic cables to support enhanced communication and situational awareness across the border.

For nearly three decades, the use of physical barriers has been a core component of CBPs comprehensive border security strategy. Since the initial construction of border barriers in the San Diego Sector in 1991, U.S. Border Patrol agents have consistently advo-

cated for barrier infrastructure, due to its proven effectiveness in enhancing domain awareness and agent safety.

The Committee believes that physical barriers serve as a critical force-multiplier by delaying illegal entries and giving frontline agents valuable time to detect, assess, and respond to migration events.

This section also appropriates $50,000,000 to CBP for the eradication and removal of carrizo cane and salt cedar plants. These invasive, dense, and fast-growing plants pose a significant tactical challenge for Border Patrol agents along the Rio Grande River as they can create major blind spots, severely limiting agents ability to detect and respond to illegal crossings. The Committee believes that by eradication of these invasive species along key sections of the Rio Grande River will help improve and enhance visibility and ensure agent safety by restoring line-of-sight capabilities and increasing early detection of illicit activity.

Finally, this section will appropriate $5,000,000,000 for CBP to lease, acquire, upgrade, and/or expand U.S. Border Patrol, Air and Marine Operations, and Office of Field Operations facilities. CBP personnel operate on the front lines every day, yet many are forced to work out of facilities that are overcrowded, structurally inadequate, and technologically outdated. The Committee believes that investing in CBPs physical infrastructure is not just about modernization, its about mission effectiveness and safety.

Section 60002. U.S. Customs and Border Protection Personnel and Fleet Vehicles

This section appropriates $4,100,000,000 to CBP for the hiring and training additional Border Patrol agents, Office of Field Operations officers, Air and Marine agents, rehired annuitants, and CBP support staff. Under the previous administration, agents and officers faced extreme operational pressure, mental health concerns, and an overwhelming sense of mission fatigue. The Committee believes that increasing the number of frontline personnel will help to alleviate the burden on current agents and officers and help restore morale.

This section also appropriates $2,052,630,000 to CBP for annual retention bonuses or signing bonuses to eligible Border Patrol agents, Office of Field Operations officers, and Air and Marine agents. CBP is currently facing a staffing crisis that threatens the agencys ability to meet its core national security mission. As the demands on frontline personnel continue to grow, CBP is struggling to recruit and retain the skilled workforce necessary to meet these demands. In some of the most critical geographic areas, persistent staffing shortages have left agents overextended and vulnerable to burnout. The Committee believes that the CBP mission depends on a resilient and dedicated workforce. The Committee strongly supports investments in annual retention and signing bonuses to secure the personnel needed to protect our borders, uphold the rule of law, and safeguard our national security for years to come.

This section also appropriates $813,000,000 for CBP to lease or acquire additional patrol units. CBP operates one of the largest law enforcement vehicle fleets in the federal government, with thou-

sands of vehicles deployed across some of the most challenging and remote terrain in the country. These vehicles are essential tools serving as mobile command centers, transportation platforms, and first-response units that enable agents to carry out their mission of securing the border. Unfortunately, the agencys current fleet is rapidly aging. Many vehicles in operation have exceeded their recommended service life, leading to increased maintenance costs, higher rates of mechanical failure, and reduced reliability in the field. This not only jeopardizes agent and officer safety but also hinders mission readiness and response times during critical operations.

This section also appropriates, to the Director of the Federal Law Enforcement Training Center, $285,000,000 to support the training of newly hired federal law enforcement personnel employed by the Department of Homeland Security, and $465,000,000 for the procurement, construction, and improvements to Federal Law Enforcement Training Center (FLETC) facilities.

FLETC provides training for federal law enforcement personnel across four campuses located in New Mexico, Georgia, South Carolina, and Maryland. In addition to serving over 125 federal partner agencies, FLETC also supports state, local, tribal, and international law enforcement organizations with specialized training resources. FLETC plays a vital role in both the initial training and ongoing professional development of DHS law enforcement personnel. The Committee believes funding in this section is essential as CBP and U.S. Immigration and Customs Enforcement seek to recruit, train, and deploy additional personnel to meet mission demands.

Finally, this section also appropriates $600,000,000 to CBP for marketing, recruiting, applicant sourcing and vetting, and operational mobility programs for border security personnel. The increase in law enforcement personnel is only possible with investments to increase hiring capabilities. This can include every step from recruitment to medical and fitness assessments, entrance exams, and training professionals. In addition to these efforts to expand CBPs hiring capacity, the funding supports significant recruitment incentives to increase the pool of candidates in the application and assessment process.

Section 60003. U.S. Customs and Border Protection Technology, National Vetting Center, and Other Efforts to Enhance Border Security

This section appropriates $1,076,317,000 to CBP to procure and integrate new Non-Intrusive Inspection (NII) equipment and associated civil works, artificial intelligence, integration, and machine learning, as well as other mission support, to combat the entry of illicit narcotics along the southwest, northern, and maritime borders. At our ports of entry, CBP employs NII technology to detect and interdict illicit drugs, including fentanyl, as well as concealed currency, contraband, and individuals being smuggled into the country. While CBP has made huge strides in interdiction efforts, its current screening capacity at ports of entry remains alarmingly limited. The Committee believes that these gaps leave our southwest, northern, and maritime borders vulnerable to exploitation by

transnational criminal organizations trafficking fentanyl and other deadly substances into our communities.

This section also appropriates $2,766,000,000 to CBP to upgrade and procure border surveillance technologies along the southwest, northern, and maritime borders. As threats to our national security grow more complex, CBP must have the tools it needs to detect, monitor, and respond to illicit activity across all sectors of the border. The Committee believes investing in advanced surveillance technology along the southwest, northern, and maritime borders is essential to maintaining domain awareness and ensuring the safety of our frontline personnel. Technology in this section includes, but is not limited to, ground detection sensors, integrated surveillance towers, tunnel detection capability, unmanned aircraft systems (UAS), and enhanced communications equipment.

This section also appropriates $673,000,000 to CBP for necessary expenses, including the deployment of technology, relating to the biometric entry and exit system under section 7208 of the Intelligence Reform and Terrorism Prevention Act of 2004 (8 U.S.C. 1365b). Investing in the expansion of CBP's entry/exit system is a critical step toward strengthening America's national security, enforcing immigration laws, and modernizing the travel experience at air, land, and seaports of entry. As the volume of international travel continues to rise and global threats evolve, traditional identity verification methods are no longer sufficient to meet today's operational demands. Unfortunately, full implementation of the exit system remains incomplete. Biometric entry and exit expansion will not only enhance CBP's operational effectiveness and efficiency, but it will also provide law enforcement and intelligence partners with timely and accurate information to help identify fraud and persons who overstay their visas.

This section also appropriates $1,234,000,000 to CBP for Air and Marine Operations (AMO) upgrades and procurement of new platforms for rapid air and marine response capabilities. Through the deployment of advanced aircraft and marine vessels outfitted with cutting-edge technology, this will enable AMO to expand their reach allowing for continuous detection, monitoring, and tracking of potential threats approaching or operating within U.S. borders This section appropriates $16,000,000 to CBP for necessary expenses related to U.S. Customs and Border Protection's National Vetting Center (NVC) to support screening, vetting activities, and expansion of the criminal history database of foreign nationals. As transnational criminal networks grow more sophisticated, the Committee believes that CBP must be equipped with the tools and data necessary to identify threats swiftly and accurately. Expanding the NVC is essential to enhancing national security and protecting communities by assisting frontline agents and officers to make informed, real-time decisions during border encounters.

This section appropriates $500,000,000 to the Secretary of Homeland Security (Secretary) for targeted communication campaigns designed to combat drug trafficking, fentanyl and its precursor chemicals, and counter adversarial messaging operations. Cartels increasingly exploit social media platforms such as TikTok and Snapchat to recruit associates and facilitate trafficking activities. Given the escalating threats posed by transnational criminal orga-

nizations, targeted communication plans are crucial in deterring these illicit activities and mitigating the cartel's media influence. These information campaigns can play a vital role in protecting American lives, dismantling criminal networks, and safeguarding the nation by effectively warning potential drug traffickers of the severe repercussions they will face.

Finally, this section appropriates $1,000,000 to the Secretary to support commemorative events honoring meritorious contributions and achievements related to border security, including events recognizing victims of crimes. Examples of such events include Line-of-Duty death memorials, Department or agency anniversaries, and commendation ceremonies. Funding in this section can be used for venue and setup, program materials, commemoratives (e.g., plaques, flags, awards); and personnel and services (e.g., honor guard, officiants, security).

Section 60004. State and Local Law Enforcement Presidential Residence Protection

This section appropriates $300,000,000 to the Administrator of the Federal Emergency Management Agency (FEMA), for the reimbursement of law enforcement personnel costs for protection activities directly and demonstrably associated with any residence of the President that is designated pursuant to section 3 of the Presidential Protection Assistance Act of 1976 (Public Law 94–524) to be secured by the United States Secret Service.

Continued support of the Presidential Residence Protection Assistance grant is essential for the continued safety of the President. This grant provides reimbursement to state and local law enforcement agencies for operational overtime costs incurred while protecting any non-governmental residence of the President of the United States as designated or identified to be secured by the U.S. Secret Service.

With President Trump maintaining regular travel, proper security measures need to be maintained, particularly following the two highly publicized assassination attempts in 2024. Assistance from state and local law enforcement agencies is oftentimes necessary to ensure protection of the President's residences given limited U.S Secret Service resources. This funding would build upon past congressional appropriations and ensure that the Department of Homeland Security has the necessary funding to reimburse and utilize state and local law enforcement.

Section 60005. State Homeland Security Grant Program

This section appropriates funds to FEMA to be administered under the State Homeland Security Grant Program authorized under section 2004 of the Homeland Security Act of 2002 (6 U.S.C. 605), to enhance State, local, and Tribal security through grants, contracts, cooperative agreements, and other activities. Appropriations in this section include: $500,000,000 for State and local capabilities to detect, identify, track, or monitor threats from unmanned aircraft systems (UAS) (as such term is defined in section 44801 of title 49, United States Code); $625,000,000 for security, planning, and other costs related to the 2026 FIFA World Cup; $1,000,000,000 for security, planning, and other costs related to the

2028 Olympics and Paralympics; and $450,000,000 for the Operation Stonegarden Grant Program.

The Committee believes it is essential to continue to pursue efforts to enhance counter-UAS capabilities and authorities for federal, State, and local law enforcement. As the capabilities and availability of commercially available drone technology have made significant advances in recent years, the emerging homeland security threat from such technology in the wrong hands has likewise increased. Terrorists, criminal organizations, and foreign actors can use drones to exploit vulnerabilities across a wide range of environments and targets for espionage or terrorist acts.

Suspicious drone incursions have occurred at military installations, sporting events, airports, critical energy facilities, and across the Southwest border at an alarming rate. This is a critical concern in communities nationwide, particularly for high-profile public events and critical infrastructure. $500,000,000 in appropriations for this grant program will support law enforcement efforts across the United States in developing their ability to detect, identify, track, or monitor UAS threats.

In 2026, the FIFA Would Cup will be held in eleven cities across the United States. FIFA anticipates that at least 5,000,000 fans will travel to the United States for the World Cup. Attendees will include multiple heads of state and other foreign dignitaries. The Committee recognizes the national security implications of hosting an international sporting event of this size.

On March 7, 2025, President Trump signed an Executive Order *Establishing the White House Task Force on the FIFA World Cup 2026*, to facilitate coordination with executive departments and agencies "to assist in the planning, organization, and execution of the events surrounding the 2025 FIFA Club World Cup and 2026 FIFA World Cup." To support President Trump's priority of the safety and security of events held on American soil, the Committee believes an appropriation of $625,000,000 for grants related to this event will enhance planning and security related to the 2026 FIFA World Cup. These funds will be made available through FEMA's State Homeland Security Grant Program, which assists State, local, and Tribal efforts to build, sustain, and deliver the capabilities necessary to prevent, prepare for, protect against, and respond to acts of terrorism.

Two years following the FIFA World Cup, the 2028 Summer Olympics and 2028 Summer Paralympics will be held in the greater Los Angeles area. The Committee believes an appropriation of $1,000,000,000 for grants to be made available for security, planning, and other costs related to the 2028 Olympics and Paralympic Games, made available through FEMA's State Homeland Security Grant Program, will have a vital impact on the security of our nation in preparation for and throughout the Olympic Games and Paralympic Games.

Already in 2024, the Department of Homeland Security designated the Olympic and Paralympic Games a National Special Security Event (NSSE), the furthest in advance that a NSSE has ever been granted. This designation is based in part on the event's significance, size, and anticipated attendance, allowing for significant resources from the federal government, as well as from state and

local partners, to be utilized in a comprehensive security plan. The U.S. Secret Service is designated as the lead federal agency responsible for coordinating, planning, exercising, and implementing security for NSSEs through the Presidential Threat Protection Act of 2000.

Operation Stonegarden is part of FEMA's Homeland Security Grant Program, which provides funding to state, local, tribal, and territorial (SLTT) law enforcement agencies that are located along the borders of the United States to improve overall border security. Over the last four years, the United States faced a historic border crisis with communities and local law enforcement along the Southwest border bearing the brunt of the hardship due to the chaos brought on by failed border policies.

Operation Stonegarden is an essential part in the overall advancement of security along our borders. An addition of $450,000,000 in funding for this grant program will allow the Department of Homeland Security to further enhance its relationship with law enforcement, implementing a layered approach to secure our land and maritime borders from traffickers and smugglers. This grant program provides cooperation and coordination among U.S. Customs and Border Protection's U.S. Border Patrol and federal, state, local, tribal, and territorial law enforcement agencies by providing funding to support joint efforts to secure the United States' borders, especially in states bordering Mexico and Canada, as well as in states and territories with international water borders.

TITLE VII—COMMITTEE ON THE JUDICIARY

SECTION-BY-SECTION

SUBTITLE A—IMMIGRATION MATTERS

Part 1—Immigration Fees

Sec. 70001. Applicability of immigration laws

This section states that, notwithstanding any other provision of law, the bill's fees shall apply. It also clarifies that any terms in the bill are defined as in the Immigration and Nationality Act (INA) and provides that any statutory references are to the INA.

Sec. 70002. Asylum fee

This section requires a $1,000 fee for any alien who applies for asylum. The section directs 50 percent of the fees received from applications filed in immigration court to the Executive Office for Immigration Review (EOIR) and 50 percent of the fees received from applications filed with U.S. Citizenship and Immigration Services (USCIS) to USCIS. The remaining fees collected will be directed to the Treasury for deficit reduction.

Sec. 70003. Employment authorization document fees

(a) Asylum applicants. This section requires a $550 employment authorization application fee for any asylum applicant who seeks employment authorization while the alien's asylum application is pending. The section directs 25 percent of the fees received from

such applications to USCIS, with a portion devoted to detecting and preventing immigration benefit fraud. The remaining fees collected will be directed to the Treasury for deficit reduction.

(b) Parole. This section requires a $550 employment authorization application fee for any alien paroled into the country who seeks employment authorization. The section directs all fees collected to the Treasury for deficit reduction.

(c) Temporary Protected Status. This section requires a $550 employment authorization application fee for any alien granted Temporary Protected Status (TPS) who seeks employment authorization. The section directs all fees collected to the Treasury for deficit reduction.

Sec. 70004. Parole fee

This section requires a $1,000 fee for any alien who is paroled into the U.S. other than in limited circumstances (such as medical emergencies, funerals, etc.) in accordance with the "case-by-case" limitation in the current statute. Fees collected under this section will be directed to the Treasury for deficit reduction.

Sec. 70005. Special immigrant juvenile fee.

This section requires an alien who files an application for Special Immigrant Juvenile (SIJ) status to pay a $500 fee if reunification with one parent or legal guardian is possible despite abuse, abandonment, neglect, or other similar activity by the other parent. Fees collected under this section will be directed to the Treasury for deficit reduction.

Sec. 70006. Temporary Protected Status fee

This section requires a $500 fee for an alien who files an application for TPS and who has not been admitted to the U.S. or who entered the U.S. on a temporary visa but who failed to comply with the terms of the visa, including by not complying with the period of authorized stay. Fees collected under this section will be directed to the Treasury for deficit reduction.

Sec. 70007. Unaccompanied alien child sponsor fee

This section requires the sponsor of an unaccompanied alien child (UAC) to pay a fee, prior to the release of the UAC to the sponsor, as partial reimbursement for the cost of processing and housing, feeding, educating, transporting, and otherwise caring for the UAC from the time the UAC entered U.S. government custody to the time at which the sponsor takes custody of the UAC. A portion of the amount raised by the fee will be directed back to the agency to fund background checks for potential sponsors and adult members of potential sponsors' households. The remaining fees collected will be directed to the Treasury for deficit reduction.

Sec. 70008. Visa integrity fee

This section requires the State Department to assess a $250 fee on aliens who travel to the U.S. pursuant to a nonimmigrant visa. Aliens can be reimbursed under certain circumstances: The fee may be reimbursed (1) if the alien demonstrates compliance with the terms of that the alien's visa, including by complying with the pe-

riod of authorized stay, (2) if the alien did not utilize the visa for admission to the U.S., or (3) if the alien filed to extend, change, or adjust such status within the nonimmigrant visa's period of validity. Fees collected under this section will be directed to the Treasury for deficit reduction.

Sec. 70009. Form I–94 fee

This section imposes a fee of $24 on the Form I–94. This fee is in addition to the current $6 fee, increasing the total fee for the Form I–94 from $6 to $30. The Form I–94 acts as the arrival and departure record for certain categories of aliens traveling temporarily to the U.S. An increased portion of the funds will be redirected to the agency for cost recovery. In addition, a portion of each fee will be directed to the Treasury for deficit reduction.

Sec. 70010. Yearly asylum fee

This section requires a $100 fee in each calendar year that an alien's asylum application remains pending. The section directs all fees collected to the Treasury for deficit reduction.

Sec. 70011. Fee for continuances granted in immigration court proceedings

This section requires a $100 fee for any alien who seeks and is granted a continuance in immigration court, unless the continuance is granted based on exceptional circumstances. The section directs all fees collected to the Treasury for deficit reduction.

Sec. 70012. Fee relating to renewal and extension of employment authorization for parolees

This section requires a $550 fee for any alien paroled into the country who seeks a renewal or extension of employment authorization. The section sets the employment authorization validity period at no more than six months and directs all fees collected to the Treasury for deficit reduction.

Sec. 70013. Fee relating to termination, renewal, and extension of employment authorization for asylum applicants

This section requires a $550 fee for any asylum applicant who seeks a renewal or extension of employment authorization. The section sets the employment authorization validity period at no more than six months and clarifies that employment authorization terminates: (1) immediately following the denial of an asylum application by an asylum officer, unless the case is referred to an immigration judge; (2) thirty days after the date on which an immigration judge denies an asylum application, unless the alien files a timely appeal with the Board of Immigration Appeals (BIA); and (3) immediately following the denial of an alien's appeal by the BIA. The section directs all fees collected to the Treasury for deficit reduction.

Sec. 70014. Fee relating to renewal and extension of employment authorization for aliens granted Temporary Protected Status

This section requires a $550 fee for any alien granted TPS who seeks a renewal or extension of employment authorization. The section sets the employment authorization validity period at no more than six months and directs all fees collected to the Treasury for deficit reduction.

Sec. 70015. Diversity immigrant visa fees

(a) Fee for filing a diversity immigrant visa application. This section requires a $400 diversity immigrant visa application fee for any alien who is selected through the diversity visa lottery and who is authorized to apply for a diversity immigrant visa. The section directs 10 percent of the fees received to the Department of State to offset program costs associated with the diversity visa program, including fraud detection and prevention; 10 percent to ICE for detention, immigration enforcement, and removal operations; and the remaining fees received to the Treasury for deficit reduction.

(b) Fee for aliens who register for the diversity immigrant visa program. This section requires a $250 fee for any alien who registers for the diversity immigrant visa lottery. The section directs 10 percent of the fees received to the Department of State to offset costs of the diversity immigrant visa program, including fraud detection and prevention; 10 percent to ICE for detention, immigration enforcement, and removal operations; and the remaining fees received to the Treasury for deficit reduction.

Sec. 70016. EOIR fees

(a) Fee for filing an application to adjust status to that of a lawful permanent resident. This section requires a fee of $1,500 for any alien whose application for adjustment of status is adjudicated by an immigration judge. The section directs no more than 50 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(b) Fee for filing an application for waiver of grounds of inadmissibility. This section requires a fee of $1,050 for any alien who files with an immigration court an application for waiver of grounds of inadmissibility or whose application for such a waiver is adjudicated by an immigration judge. The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(c) Fee for filing an application for Temporary Protected Status. This section requires a fee of $500 for any alien who files with an immigration court an application for TPS or whose application for TPS is adjudicated by an immigration judge. The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(d) Fee for filing an appeal from a decision of an immigration judge. This section requires a fee of $900 for any alien who files an appeal from a decision of an immigration judge. The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(e) Fee for filing an appeal from a decision of an officer of the Department of Homeland Security. This section requires a fee of $900 for any alien who files an appeal from a decision of an officer of the Department of Homeland Security (DHS). The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(f) Fee for filing an appeal from a decision of an adjudicating official in a practitioner disciplinary case. This section requires a fee of $1,325 for any practitioner who files an appeal from a decision of an adjudicating official in a practitioner disciplinary case. The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(g) Fee for filing a motion to reopen or a motion to reconsider. This section requires a fee of $900 on any alien who files a motion to reopen or motion to reconsider a decision of an immigration judge or the BIA. The section clarifies that such a fee does not apply to motions to reopen a removal order entered *in absentia* if the motion is based on the alien (1) failing to receive proper notice of the proceeding or (2) failing to attend the proceeding because the alien was in state or federal custody and the failure to appear was through no fault of the alien. The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(h) Fee for filing an application for suspension of deportation. This section requires a fee of $600 for any alien who files with an immigration court an application for suspension of deportation. The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(i) Fee for filing an application for cancellation of removal for certain permanent residents. This section requires a fee of $600 for any alien who files an application for cancellation of removal for certain permanent residents. The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

(j) Fee for filing an application for cancellation of removal and adjustment of status for certain nonpermanent residents. This section requires a fee of $1,500 for any alien who files an application for cancellation of removal and adjustment of status for certain nonpermanent residents. The section directs no more than 25 percent of the fees received to EOIR and the remaining fees to the Treasury for deficit reduction.

Sec. 70017. ESTA fee

This section increases the fee for the Electronic System for Travel Authorization (ESTA), which is required to be used by aliens who travel to the U.S. via the Visa Waiver Program, from $21 to $40. Currently, $4 of the fee goes to the agency for cost recovery and $17 goes to the Travel Promotion Fund. This section would change that allocation such that an increased portion of each fee collected is directed to the agency to achieve cost recovery. This section also limits the portion directed to the Travel Promotion Fund to $20,000,000 annually. In addition, a portion of each fee collected is directed to the Treasury for deficit reduction. Finally,

this section extends CBP's authority to charge ESTA fees until 2034.

Sec. 70018. Immigration user fees

Currently, air and sea passengers arriving from a foreign location on a commercial aircraft/sea vessel pay this fee. This section increases the current $7 fee to $10 and eliminates a partial exemption for certain commercial sea passengers. Per fee, $9 is directed to the agency for cost recovery and $1 is directed to the Treasury for deficit reduction.

Sec. 70019. EVUS fee

The Electronic Visa Update System (EVUS) provides a mechanism through which information updates can be obtained from aliens holding a U.S. nonimmigrant visa of a designated category in a passport issued by an identified country, generally Chinese nationals on B–1, B–2, and B–1/B–2 visas. EVUS requires travelers with such visas to provide updated biographic and travel information to CBP via a publicly accessible website prior to initial travel on the visa and then at least every two years from the date of visa issuance for the duration of visa validity. This section establishes in statute an EVUS fee of $30. While most of the funds are allocated to the agency for cost recovery, a portion of the funds raised are allocated to the Treasury for deficit reduction.

Sec. 70020. Fee for sponsor of unaccompanied alien child who fails to appear in immigration court

This section requires the sponsor of a UAC to pay a $5,000 fee prior to the release of such UAC to the sponsor. The sponsor may receive reimbursement for the fee if the sponsor demonstrates that (1) the UAC was not ordered removed *in absentia* or (2) the *in absentia* order is rescinded.

Sec. 70021. Fee for aliens ordered removed in absentia

This section requires a $5,000 fee for any alien who (1) is ordered removed *in absentia* after failing to appear at an immigration court hearing and (2) is subsequently arrested by ICE. This section includes an exception for cases in which an *in absentia* order is rescinded.

Sec. 70022. Customs and Border Protection inadmissible alien apprehension fee

This section requires a $5,000 fee for any inadmissible alien who is apprehended between ports of entry by CBP.

Sec. 70023. Amendment to authority to apply for asylum

This section amends the INA to require fees for asylum applications and employment authorization applications for asylum applicants. The section also removes the limitation that any such fees cannot exceed the costs of adjudicating such applications.

Part 2—Use of Funds

Sec. 70100. Executive Office for Immigration Review

This section provides $1.25 billion in funding to EOIR, which houses the nation's immigration courts, for (1) hiring support staff necessary to support immigration judges; (2) hiring immigration judges; and (3) expanding courtroom capacity and infrastructure.

Sec. 70101. Adult alien detention capacity and family residential centers

This section provides $45 billion in funding to ICE to increase adult alien detention capacity and family residential center capacity. The section clarifies that (1) family units of aliens may be detained at family residential centers and (2) the Department of Homeland Security can house aliens, including alien children, at family residential centers regardless of whether a specific facility is licensed by the state or political subdivision of the state in which the facility is located. To efficiently utilize the funding provided, this section also allows the DHS Secretary, in the Secretary's sole discretion, to set the detention standards for adult alien detention capacity.

Sec. 70102. Retention and signing bonuses for U.S. Immigration and Customs Enforcement personnel

This section provides $858 million in funding for $10,000 hiring and retention bonuses for ICE personnel to carry out immigration enforcement, including ICE officers, Homeland Security Investigations (HSI) agents, and attorneys.

Sec. 70103. Hiring of additional U.S. Immigration and Customs Enforcement personnel

This section provides $8 billion in funding for additional ICE Enforcement and Removal Operations (ERO) officers, HSI agents, and support personnel to carry out immigration enforcement.

Sec. 70104. U.S. Immigration and Customs Enforcement hiring capability

This section provides $600 million in funding to ICE to facilitate the recruitment, hiring, and onboarding of additional ICE personnel to carry out immigration enforcement.

Sec. 70105. Transportation and removal operations

This section provides $14.4 billion in funding for ICE transportation and removal operations, including amounts necessary for ground transportation, air charter flights, escorted commercial flights, transportation of unaccompanied alien children, and for other departures.

Sec. 70106. Information technology investments

This section provides $700 million in funding for ICE to invest in information technology to support enforcement and removal operations.

Sec. 70107. Facilities upgrades

This section provides $550 million in funding to ICE for ICE facility upgrades to support enforcement and removal operations.

Sec. 70108. Fleet modernization

This section provides $250 million in funding to ICE for ICE fleet modernization to support enforcement and removal operations.

Sec. 70109. Promoting family unity

This section provides $20 million in funding to DHS to fund short-term detention space for adult aliens who are charged with illegal entry so that the aliens can be detained with the alien minors who entered the United States with them.

Sec. 70110. Funding section 287(g) of the Immigration and Nationality Act

This section provides $650 million in funding for ICE to enter into and implement 287(g) agreements with state and local law enforcement agencies whereby such agencies help enforce federal immigration laws to the extent allowed by current law.

Sec. 70111. Compensation for incarceration of criminal aliens

This section provides $950 million in funding for a program similar to the State Criminal Alien Assistance Program (SCAAP) to reimburse states and localities for the cost of incarcerating certain criminal aliens so long as the states and localities are not sanctuary jurisdictions.

Sec. 70112. Office of the Principal Legal Advisor

This section provides $1.32 billion in funding to the Office of the Principal Legal Advisor to hire additional attorneys to represent the Department of Homeland Security in removal proceedings and necessary support staff.

Sec. 70113. Return of aliens arriving from contiguous territory

This section provides $500 million in funding to the Department of Homeland Security to fund the return of aliens to the contiguous country from which they entered the U.S. while the aliens' removal proceedings remain pending (Remain in Mexico).

Sec. 70114. State and local participation in homeland security efforts

This section provides $787 million in funding to ICE for the purpose of ending the presence of criminal gangs and transnational criminal organizations throughout the United States, combating human smuggling and trafficking networks, supporting immigration enforcement activities, and providing reimbursement for state and local participation in such efforts.

Sec. 70115. Unaccompanied alien children capacity

This section provides $3 billion in funding to increase capacity at the Office of Refugee Resettlement for UACs encountered at the border and transferred from the custody of CBP.

Sec. 70116. Department of Homeland Security criminal and gang checks for unaccompanied alien children

This section provides $20 million in funding for the DHS portion of a pilot program to ensure DHS and the Department of Health and Human Services (HHS) check UACs who are 12 years and older for gang-related tattoos and contact the consulate or embassy of UACs' home countries to determine if UACs have a criminal history.

Sec. 70117. Department of Health and Human Services criminal and gang checks for unaccompanied alien children

This section provides $20 million in funding for the HHS portion of a pilot program to ensure DHS and HHS check UACs who are 12 years and older for gang-related tattoos and contact the consulate or embassy of UACs' home countries to determine if UACs have a criminal history.

Sec. 70118. Information about sponsors and adult residents of sponsor households

This section provides $50 million in funding for a pilot program through which HHS will provide DHS information regarding the UAC sponsor and all adult residents of the sponsor's household prior to HHS releasing the UAC to such sponsor. Information collected will include names, social security numbers, dates of birth, immigration status, contact information, and background and criminal records checks results for the sponsor and all adult residents of the sponsor's household. The information will also include the location of the residence. At a minimum, the background and criminal records checks will include an investigation of the public records sex offender registry, a public records background check, and a national criminal history check based on fingerprints.

Sec. 70119. Repatriation of unaccompanied alien children

This section provides $100 million in funding to DHS to allow UACs encountered at the border who are not victims of severe forms of trafficking and do not have a fear of returning to their country of origin to withdraw their application for admission and be repatriated to their home country.

Sec. 70120. United States Secret Service

This section provides $1.17 billion to the U.S. Secret Service with funding for protective functions and other necessary security operations.

Sec. 70121. Combatting drug trafficking and illegal drug use

This section provides $500 million in funding to the Department of Justice to combat drug trafficking, including the trafficking of fentanyl and its precursor chemicals, and illegal drug use.

Sec. 70122. Investigating and prosecuting immigration related matters

This section provides $600 million in funding to the Department of Justice to investigate and prosecute immigration-related matters, including gang-related crimes involving aliens, child trafficking and smuggling involving aliens, voting by aliens, violations of the Alien Registration Act, and violations of or fraud relating to title IV of the Personal Responsibility and Work Opportunity Act of 1996.

Sec. 70123. Expedited removal for criminal aliens

This section provides $75 million in funding to DHS to expand expedited removal proceedings under current law to apply to certain criminal aliens, regardless of the period that such aliens have been physically present in the United States.

Sec. 70124. Removal of aliens without further hearing

Current law allows for streamlined proceedings for certain arriving aliens who are suspected of being inadmissible for national security reasons or terrorism grounds. This section provides $25 million in funding to DHS to expand the application of that provision to allow for such proceedings for arriving aliens who are suspected of being inadmissible for criminality.

Subtitle B—Regulatory Matters

Sec. 70200. Review of Agency Rulemaking

This section provides $10,000,000 to each of the Office of Management and Budget and the Comptroller General of the United States to augment its activities pertaining to rulemaking. This section also requires Congress to approve major rules that increase revenue prior to them coming into effect.

Sec. 70201. Congressional Review Act Compliance

This section provides $10,000,000 to the Office of Management and Budget to be used in conducting analysis of the direct and reasonably foreseeable indirect costs of compliance with certain regulations.

Subtitle C—Other Matters

Sec. 70300. Limitation on Donations Made Pursuant to Settlement Agreements to Which the United States is a Party

This section prohibits the Department of Justice from entering into or enforcing a settlement agreement that directs the settling party to provide funds to a third party other than for restitution or to remedy actual harm caused by the settling party.

Sec. 70301. Solicitation of Orders Defined

This section clarifies the tax treatment of certain interstate commercial activity regarding the solicitation of orders.

Sec. 70302. Restriction of Funds

This section prohibits federal courts from using appropriated funds to enforce a contempt citation when the purported contemptuous conduct is noncompliance with a temporary restraining order or preliminary injunction where security was not given as required by Federal Rule of Civil Procedure 65.

SECTION-BY-SECTION ANALYSIS

TITLE VIII—COMMITTEE ON NATURAL RESOURCES

SUBTITLE A—ENERGY AND MINERAL RESOURCES

PART I—OIL AND GAS

Sec. 80101. Onshore Oil and Gas Lease Sales

- Reinstates quarterly onshore oil and gas lease sales for WY, NM, CO, UT, MT, ND, OK, NV, AK, and all other states where land is available for oil and gas leasing under the Mineral Leasing Act.
- Requires the Secretary of the Interior (Secretary) to offer land for leasing if the Secretary determines the land is open to oil and gas leasing under an approved land use plan within 18 months of the date of receipt of an expression of interest.
    - Stipulates that revisions of an approved land use plan shall not prevent or delay leasing under this section if all the other requirements are met.
- Makes Applications for Permit to Drill (APDs) valid for a single, non-renewable four-year period.
- The Congressional Budget Office (CBO) estimates Sections 80101, 80102, 80103, 80104, and 80105 will collectively generate up to $12 billion in new revenue and savings for the federal government.

Sec. 80102. Noncompetitive Leasing

- Requires that lands which do not receive bids during an oil and gas lease sale, or where the highest bid is less than the national minimum, must be offered within 30 days for noncompetitive leasing.

Sec. 80103. Permit Fees

- Requires the Secretary to approve applications for the commingling of production from two or more sources, such as oil and gas leases or communitized areas, if a fee is paid.
- Mandates the Secretary to develop regulations to allow oil and gas activity to occur through a permit-by-rule process if a fee is paid.

Sec. 80104. Permitting Fee for Non–Federal Land

- Establishes that the Secretary shall not require a permit to drill for an oil and gas lease under the Mineral Leasing Act if the lessee pays a fee of $5,000 and the federal government owns less than 50 percent of the minerals in the oil and gas drilling unit and does not own the surface estate where drilling will take place.

Sec. 80105. Reinstate Reasonable Royalty Rates

• Reinstates the 12.5 percent royalty rate on offshore production, reducing it back to pre-Inflation Reduction Act of 2022 (IRA) levels.
• Reinstates the 12.5 percent royalty rate on onshore production, reducing it back to pre-IRA levels.

PART II—GEOTHERMAL

Sec. 80111. Geothermal Leasing

• Requires the Secretary to hold geothermal lease sales yearly and to hold replacement sales in the event that a lease sale is delayed or cancelled.
• CBO estimates Sections 80111 and 80112 will collectively generate up to $23 million in new revenue and savings for the federal government.

Sec. 80112. Geothermal Royalties

• Stipulates that geothermal facilities on the same geothermal lease are treated as separate facilities with respect to royalty payment.

PART III—ALASKA

Sec. 80121. Coastal Plain Oil and Gas Leasing

• Reissues the energy leases revoked by the Biden administration and mandates the Secretary conduct four lease sales under the Coastal Plain Oil and Gas Leasing Program in the Arctic National Wildlife Refuge (ANWR) in Alaska within the next ten years.
• Mandates that the revenues from leases authorized by the Act be split evenly between the state and the federal government until 2035, when the state would start receiving 90 percent.
• CBO estimates this section will generate up to $950 million in new revenue and savings for the federal government.

Sec. 80122. National Petroleum Reserve–Alaska

• Formalizes the National Petroleum Reserve-Alaska (NPR–A) oil and gas program and expeditiously resumes leasing for energy production in the NPR–A. In resuming this program, this section requires that the Secretary hold lease sales at least every other year and offer at least 4,000,000 acres per lease sale in the NPR–A.
• Mandates that the revenues from leases authorized by the Act be split evenly between the state and the federal government until 2035, when the state would start receiving 90 percent.
• CBO estimates this section will generate up to $550 million in new revenue and savings for the federal government.

PART IV—MINING

Sec. 80131. Superior National Forest Lands in Minnesota

• Rescinds Public Land Order (PLO) No. 7917, which withdrew federal lands in Northern Minnesota from mineral entry. Reinstates, for 20 years, the leases cancelled by the Biden administration in the Superior National Forest. Stipulates terms and conditions for the leases.

• CBO estimates this section will generate up to $80 million in new revenue and savings for the federal government.

Sec. 80132. Ambler Road in Alaska

• Establishes a $500,000 per year rental fee for a surface transportation access road from the Ambler Mining District to the Dalton Highway.
• Stipulates that the timely construction and operation of the road are in the national interest.
• Rescinds the Biden administration's record of decision (ROD) and replaces it with the 2020 ROD, which includes a preferred alternative that allows for road construction.
• CBO estimates this section will generate up to $5 million in new revenue and savings for the federal government.

PART V—COAL

Sec. 80141. Coal Leasing

• Mandates coal lease sales and stipulates the requirements for such lease sales.
• CBO estimates Sections 80141, 80142, 80143, and 80302 will collectively generate up to $237 million in new revenue and savings for the federal government.

Sec. 80142. Future Coal Leasing

• Rescinds Secretarial Order 3338, which put a moratorium on new coal leasing and prevents similar action in the future.

Sec. 80143. Coal Royalty

• Reduces the royalty rate from 12.5 percent to 7 percent on all coal leases, new and active.

Sec. 80144. Authorization to Mine Federal Minerals

• Authorizes the mining of all federal coal reserves leased under Federal Coal Lease MTM 97988 in accordance with the Bull Mountains Mining Plan Modification.
• CBO estimates this section will generate up to $42 million in new revenue and savings for the federal government.

PART V—NEPA

Sec. 80151. Project Sponsor Opt-In Fees for Environmental Reviews

• Allows a project sponsor to pay a fee equal to 125 percent of the anticipated costs of expected agency activities to prepare an environmental impact statement (EIS) or environmental assessment (EA). If the project sponsor pays the fee, they will receive their EIS in one year and their EA in six months.
• The EIS or EA would not be subject to judicial review under the National Environmental Policy Act of 1969 (NEPA).
• CBO estimates this section will generate up to $1.07 billion in new revenue and savings for the federal government.

Sec. 80152. Rescission Relating to Environmental and Climate Data Collection

- Rescinds IRA funding for the Council on Environmental Quality (CEQ).
- CBO estimates this section will generate up to $25 million in savings for the federal government.

PART VII—MISCELLANEOUS

Sec. 80161. Protest Fees

- Establishes a filing fee for protests of oil and gas lease sales.
- Stipulates the amount that must be paid based on the page length of the protest and the number of oil and gas parcels included in the protest.
- CBO estimates this section will generate up to $10 million in new revenue and savings for the federal government.

PART VIII—OFFSHORE OIL AND GAS LEASING

Sec. 80171. Mamdatory Offshore Oil and Gas Lease Sales

- Mandates a series of offshore oil and gas lease sales to generate federal revenue through bonus bids, rentals, and royalties over specified periods.
    - Gulf of America: Requires the Secretary to hold at least 30 lease sales in the Gulf of America over 15 years (2025–2040) beginning in August 2025, with locations tied to the 2017–2022 Outer Continental Shelf (OCS) Program, and a minimum of 80 million acres per sale, using terms from Lease Sale 254.
    - Cook Inlet Planning Area: Mandates six lease sales in the Cook Inlet each of which shall include at least 1 million acres. Mandates that the revenues from leases authorized by the Act be split evenly between the state and the federal government until 2035, when the state would start receiving 90 percent.
- Ensures these sales supplement the 2024–2029 OCS Program, increasing revenue potential.
- Establishes a process for state Governors to nominate adjacent OCS areas for inclusion, potentially expanding leasable acreage.
- CBO estimates this section will generate up to $4.65 billion in new revenue and savings for the federal government.

Sec. 80172. Offshore Commingling

- Requires the Secretary to approve downhole commingling applications from multiple reservoirs in a single wellbore in the Gulf of America OCS unless conclusive evidence shows the practice would be unsafe or reduce recovery.
- Increases federal revenue by boosting oil and gas production efficiency, resulting in additional royalty payments to the federal government.
- CBO estimates this section will generate up to $1.66 billion in new revenue and savings for the federal government.

Sec. 80173. Limitations on Amount of Distributed Qualified Outer Continental Shelf Revenues

• Raises the cap on the distribution of OCS revenues from $500 million to $650 million for FY 2026 through FY 2035 under the Gulf of Mexico Energy Security Act of 2006 (GOMESA).
• CBO estimates this section will spend $1.2 billion over 10 years.

PART IX—RENEWABLE ENERGY

Sec. 80181. Renewable Energy Fees on Federal Lands

• Codifies annual acreage rent and capacity fees for wind and solar energy projects on federal lands.
• Removes the Secretary's authority to reduce acreage rent and capacity fees.
• CBO estimates Sections 80181 and 80182 will generate up to $300 million in new revenue and savings for the federal government.

Sec. 80182. Renewable Energy Revenue Sharing

• Creates a revenue sharing mechanism for renewable energy produced on public lands.
• Directs 25 percent to the state hosting the production, 25 percent to the county hosting production, and 50 percent to the federal government, deposited into the General Fund of the Treasury.

SUBTITLE B—WATER, WILDLIFE, AND FISHERIES

Sec. 80201. Rescission of Funds for Investing in Coastal Communities and Climate Resilience

• Rescinds the remaining funds available for the Investing in Coastal Communities and Climate Resilience' section of the IRA.
• CBO estimates this section will generate up to $100 million in savings for the federal government.

Sec. 80202. Rescission of Funds for Facilities of National Oceanic and Atmospheric Administration and National Marine Sanctuaries

• Rescinds the remaining funds available for the Facilities of the National Oceanic and Atmospheric Administration and National Marine Sanctuaries' section of the IRA.
• CBO estimates this section will generate up to $29 million in savings for the federal government.

Sec. 80203. Surface Water Storage Enhancement

• Provides $2 billion for construction and associated activities that increase the capacity of existing Bureau of Reclamation surface water storage facilities.

Sec. 80204. Water Conveyance Enhancement

• Provides $500 million for construction and associated activities that increase the capacity of existing Bureau of Reclamation conveyance facilities.

SUBTITLE C—FEDERAL LANDS

Sec. 80301. Prohibition on the Implementation of the Rock Springs Field Office, Wyoming Resource Management Plan

- Prohibits the Bureau of Land Management (BLM) from implementing, administering, or enforcing the Record of Decision and Approved Resource Management Plan (RMP) for the Rock Springs Field Office in Wyoming, finalized by the Biden administration.
- CBO estimates this section will generate up to $200 million in new revenue and savings for the federal government.

Sec. 80302. Prohibition on the Implementation of the Buffalo Field Office, Wyoming, Resource Management Plan

- Prohibits the BLM from implementing, administering, or enforcing the Record of Decision and Approved RMP Amendment for the Buffalo Field Office in Wyoming, finalized by the Biden administration.
- CBO estimates Sections 80141, 80142, 80143, and 80302 will collectively generate up to $237 million in new revenue and savings for the federal government.

Sec. 80303. Prohibition on the Implementation of the Miles City Field Office, Montana, Resource Management Plan

- Prohibits the BLM from implementing, administering, or enforcing the Record of Decision and Approved RMP Amendment for the Miles City Field Office in Montana, finalized by the Biden administration.
- CBO estimates this section will generate up to $15 million in new revenue and savings for the federal government.

Sec. 80304. Prohibition on the Implementation of the North Dakota Resource Management Plan

- Prohibits the BLM from implementing, administering, or enforcing the ROD and Approved RMP for North Dakota, finalized by the Biden administration.
- CBO estimates this section will generate up to $5 million in new revenue and savings for the federal government.

Sec. 80305. Prohibition on the Implementation of the Colorado River Valley Field Office and Grand Junction Field Office Resource Management Plans

- Prohibits the BLM from implementing, administering, or enforcing the RODs and Approved RMPs for the Colorado River Valley Field Office and Grand Junction Field Office in Colorado, finalized by the Biden administration.
- CBO estimates this section will generate up to $80 million in new revenue and savings for the federal government.

Sec. 80306. Rescission of Forest Service Funds

- Rescinds the remaining funds made available to the U.S. Forest Service (USFS) in the IRA for the Biden administration's Old-Growth Initiative.

• CBO estimates this section will generate up to $8 million in savings for the federal government.

Sec. 80307. Rescission of National Park Service and Bureau of Land Management Funds

• Rescinds the remaining funds made available to the National Park Service (NPS) and BLM in the IRA for a "conservation and resilience" slush fund.
• CBO estimates this section will generate up to $7 million in savings for the federal government.

Sec. 80308. Rescission of Bureau of Land Management and National Park Service Funds

• Rescinds the remaining funds made available to the NPS and the BLM in the IRA for a "conservation and ecosystem restoration" slush fund.
• CBO estimates this section will generate up to $5 million in savings for the federal government.

Sec. 80309. Rescission of National Park Service Funds

• Rescinds the remaining funds made available to the NPS in the IRA to hire new federal employees.
• CBO estimates this section will generate up to $267 million in savings for the federal government.

Sec. 80310. Celebrating America's 250th Anniversary

• Provides $40 million to the Secretary of the Interior to establish and maintain a statuary park named the National Garden of American Heroes.
• Provides $150 million to the Secretary of the Interior for events, celebrations, and activities related to the 250th anniversary of America's founding in 2026.

Sec. 80311. Long-Term Contracts for the Forest Serivce

• On forests created from the public domain, requires the USFS to enter into at least one 20-year contract for timber harvesting per region annually for fiscal year (FY) 2025 through FY 2029.
• Sets standard terms and conditions for the contract, including special provisions for cancellation ceilings.
• Requires all contract funds to be deposited into the General Fund of the Treasury.
• CBO estimates this section will generate up to $110 million in new revenue and savings for the federal government.

Sec. 80312. Long-Term Contracts for the Bureau of Land Management

• Requires the BLM to enter into no less than one 20-year contract for timber harvesting annually between FY 2025 through FY 2029.
• Sets standard terms and conditions for the contract, including special provisions for cancellation ceilings.
• Requires all contract funds to be deposited into the General Fund of the Treasury.

• CBO estimates this section will generate up to $40 million in new revenue and savings for the federal government.

Sec. 80313. Timber Production for the Forest Service

• Directs the Secretary of Agriculture, within one year of this section's enactment, to authorize timber harvests on National Forest System lands that equal or exceed a volume 25 percent higher than the volume harvested during fiscal year 2024.
• Stipulates that such harvests must be in accordance with the allowable sale quantity or probable sale quantity of timber applicable to a certain area of federal lands.
• Specifies that this provision applies to forests created from the public domain and does not apply to wilderness areas, roadless areas, or areas where timber harvesting is prohibited by statute.

Sec. 80314. Timber Production for the Bureau of Land Management

• Directs the Secretary of the Interior, within one year of this section's enactment, to authorize timber harvests on public lands under the jurisdiction of the BLM that equal or exceed a volume 25 percent higher than the volume harvested during fiscal year 2024.
• Stipulates that such harvests must be in accordance with the applicable RMP.
• Specifies that this provision does not apply to wilderness areas or areas where timber harvesting is prohibited by statute.
• CBO estimates this section will generate up to $8 million in new revenue and savings for the federal government.

Sec. 80315. Bureau of Land Management Land in Nevada

• Directs the sale of certain BLM lands in Lyon County, Nevada, to the City of Fernley, which must pay all costs associated with the conveyances.
• Directs the sale of certain BLM lands in Clark County, Nevada, including those identified for disposal by the BLM. Ensures compliance with local planning and zoning laws. Allows for additional disposal related to affordable housing.
• Directs the sale of certain BLM lands in Washoe County, Nevada, including those identified for disposal. Establishes procedures to evaluate additional land for disposal, including land for affordable housing. Ensures compliance with local planning and zoning laws.
• Consolidates checkerboard land ownership in Pershing County, Nevada. Stipulates the selection of parcels between the BLM and Pershing County. Provides for the methods of sale and authorizes equal-value land exchanges.
• Stipulates conditions for the method of sale, mass appraisal procedures, conveyance costs, and the map and legal description of land to be sold.
• Clarifies that no NPS lands are conveyed or affected by this section.
• Directs proceeds from all sales in this section to be deposited into the General Fund of the Treasury.

Sec. 80316. Forest Service Land in Nevada

- Directs the sale of certain USFS lands in Washoe County, Nevada.
- Stipulates the selection of parcels between USFS and Washoe County and ensures compliance with local planning and zoning laws.
- Allows for the sale of additional USFS land for affordable housing.
- Stipulates conditions for the method of sale, mass appraisal procedures, conveyance costs, and the map and legal description of land to be sold.
- Clarifies that no NPS lands are conveyed or affected by this section.
- Directs the proceeds from all sales in this section to be deposited into the General Fund of the Treasury.

Sec. 80317. Federal Land in Utah

- Directs the sale of certain BLM lands in Beaver and Washington Counties in Utah. The land will be conveyed to Beaver County, Washington County, the City of St. George, or the Washington County Water Conservancy District.
- Stipulates conditions for the method of sale, mass appraisal procedures, conveyance costs, and the map and legal description of land to be sold.
- Clarifies that no NPS lands are conveyed or affected by this section.
- Directs the proceeds from all sales in this section to be deposited into the General Fund of the Treasury.

TITLE IX—COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

SECTION-BY-SECTION ANALYSIS

Section 90001. Increase in FERS Employee Contribution Requirements

This section amends 5 U.S.C. 8422(a)(3) to raise contributions for Federal Employees Retirement System (FERS) and FERS Revised Annuity Employees (FERS–RAE) annuity participants to align with FERS–RAE annuity participants beginning January 1, 2026 and going into full effect on January 1, 2027.

Current Effective Employee Contribution Rates	Hired/Entered FERS Before 2013	FERS–RAE, Hired/Entered FERS in 2013	FERS–FRAE Hired/Entered FERS After 2013
Employee	7	9.3	10.6
Congressional employee	7.5	9.3	10.6
Member	7.5	9.3	10.6
Law enforcement officer, firefighter, member of the Capitol Police, member of the Supreme Court Police, or air traffic controller	7.5	9.8	11.1
Nuclear materials courier	7.5	9.8	11.1

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Current Effective Employee Contribution Rates	Hired/Entered FERS Before 2013	FERS–RAE, Hired/Entered FERS in 2013	FERS–FRAE Hired/Entered FERS After 2013
Customs and border protection officer	7.5	9.8	11.1

2026 Rates	Hired/Entered FERS Before 2013	FERS–RAE, Hired/Entered FERS in 2013	FERS–FRAE, Hired/Entered FERS After 2013
Employee	8.8	9.95	10.6
Congressional employee	9.3	9.95	10.6
Member	9.3	9.95	10.6
Law enforcement officer, firefighter, member of the Capitol Police, member of the Supreme Court Police, or air traffic controller	7.5	9.8	11.1
Nuclear materials courier	7.5	9.8	11.1
Customs and border protection officer	7.5	9.8	11.1

Proposed 2027 and beyond Rates	Hired/Entered FERS Before 2013	FERS–RAE, Hired/Entered FERS in 2013	FERS–FRAE, Hired/Entered FERS After 2013
Employee	10.6	10.6	10.6
Congressional employee	11.1	10.6	10.6
Member	11.1	10.6	10.6
Law enforcement officer, firefighter, member of the Capitol Police, member of the Supreme Court Police, or air traffic controller	7.5	9.8	11.1
Nuclear materials courier	7.5	9.8	11.1
Customs and border protection officer	7.5	9.8	11.1

Section 90002. Elimination of FERS Annuity Supplement

• Subsection (a) amends 5 U.S.C. 8421(a) to eliminate the FERS annuity supplemental retirement benefits for all FERS annuitants except those mandatorily separated from service under 5 U.S.C. 8425.

• Subsection (b) prevents the amendments made by this section from applying to those entitled to an annuity supplement under 5 U.S.C. 8421 prior to the date of enactment.

Section 90003. High-5 Average Pay for Calculating CSRS and FERS Pension

• Subsection (a) amends 5 U.S.C. 8331(4) to provide that defined benefit calculations for federal employees retiring under the Civil Service Retirement System (CSRS) on or after January 1, 2027, be based on the five consecutive highest earning years (a change from the highest three consecutive highest earning years). This change does not apply to groups identified in 5 U.S.C. 8336(c) or (e) and 5 U.S.C. 8341(d) or (e)(1) (federal law enforcement officers, U.S Supreme Court and Capitol Police Officers, firefighters, nuclear mate-

rials couriers, air traffic controllers, and customs and border protection officers).

• Subsection (b) amends 5 U.S.C. 8401(3) to provide that defined benefit calculations for federal employees retiring under the Federal Employee Retirement System (FERS) on or after January 1, 2027, be based on the five consecutive highest earning years (a change from the highest three consecutive highest earning years). This change does not apply to groups identified in 5 U.S.C. 8336(c) or (e) and 5 U.S.C. 8341(d) or (e)(1) (federal law enforcement officers, U.S Supreme Court and Capitol Police Officers, firefighters, nuclear materials couriers, air traffic controllers, and customs and border protection officers).

• Subsection (c) makes conforming amendments to 5 U.S.C. 8311 note to reflect the changes made by this provision.

Section 90004. Election for At-Will Employment and Lower FERS Contributions for New Federal Civil Service Hires

• Subsection (a) adds a new section § 3330g (Election for at-will employment and lower FERS contributions.) to 5 U.S.C. Chapter 33 (Examination, Selection, and Placement.) to provide that an individual appointed to a covered position shall choose to permanently elect to be employed on an "at-will basis" or not. The FERS employee contribution rate for an individual who does not make such an election to be treated as an "at-will" employee shall be increased by 5%.

• Subsection (b) provides for a conforming amendment to 5 U.S.C. 8422(a) to reflect the FERS contribution rate for an individual who does not elect to be employed on an "at-will basis."

• Subsection (c) prevents the amendments made by this section from applying to those appointed to positions in the civil service prior to the date of enactment.

Section 90005. Filing Fee for Merit Systems Protection Board Claims and Appeals

• Subsection (a) provides that the Merit Systems Protection Board (MSPB) shall collect filing fees from claimants for appeal with the Board. The filing fee shall amount to the filing fee for civil actions, suits, or district court proceedings. The filing fee shall not be required for certain Special Council actions nor claims or appeals associated with certain prohibited personnel practices. The fee shall be paid on the date of the respective filing and returned if the filer prevails in their respective claim or appeal. The filing fee associated with a claim to which the individual is not the prevailing party or appeal is exhausted or expired shall be deposited as a miscellaneous Treasury receipt.

• Subsection (b) provides that filing fees shall apply to any claim or appeal filed with the MSPB three months following the date of enactment.

Section 90006. FEHB Protection

• Subsection (a) requires the Office of Personnel Management (OPM) to issue regulations and implement a process to verify the addition of an enrollee's family member to a health benefits plan

under the Federal Employee Health Benefit Program (FEHBP). This subsection also requires OPM to commence a 5-year government-wide audit to verify the eligibility of family members covered under an FEHBP enrollment and requires the disenrollment or removal of any individual found to be ineligible from FEHBP coverage.

• Subsection (b) amends 5 U.S.C. 8909 (Employees Health Benefits Fund.) to direct $473,267,927 in funding through 2034 (and 2.2% annual increase thereafter) for OPM to develop, maintain, and conduct oversight over the enrollment and eligibility of FEHBP systems. This subsection also directs $80,000,000 to OPM to conduct the audit required under subsection (a) and further directs a total of $5,090,278 starting in fiscal year 2026 (and 2.2% annual increase thereafter—approximately $50,057,934 total over the ten year period) for the OPM inspector general to audit the enrollment and eligibility in the FEHBP.

TITLE X—COMMITTEE ON TRANSPORTATION AND INFRSTRUCTURE

SECTION-BY-SECTION ANALYSIS OF THE COMMITTEE PRINT

Sec. 100001. Coast Guard Assets Necessary to Secure the Maritime Border and Interdict Migrants and Drugs

This section provides $21.2 billion to the United States Coast Guard (Coast Guard or the Service) for the acquisition, sustainment, improvement, and operations of Coast Guard assets necessary to provide presence, surveillance, and security of the maritime border. Specifically this section makes the following funds available for obligation through September 30, 2029: $571.5 million for fixed wing aircraft; $1.283 billion for rotary wing aircraft; $140 million for long-range unmanned aircraft and base stations; $4.3 billion for Offshore Patrol Cutters; $1 billion for Fast Response Cutters; $4.3 billion for Polar Security Cutters; $4.978 billion for Arctic Security Cutters and domestic icebreakers; $3.154 billion for shoreside infrastructure, of which $400 million is for hangars, maintenance, and crew facilities for fixed wing aircraft and rotary wing aircraft, $2.33 billion is for homeports for Offshore Patrol Cutters, Fast Response Cutters, Arctic Security Cutters, Polar Security Cutters, and National Security Cutters, and $425 million for design, engineering, construction management of, and program management for enlisted boot camp recapitalization, including barracks' replacement and a multi-use training center; $1.3 billion for aviation, cutter, and shoreside facility depot maintenance, of which $500 million is for a floating dry dock; and $180 million for maritime domain awareness, of which $75 million is for autonomous surface assets.

This section waives certain acquisitions requirements under chapter 11 of title 14, United States Code, related to acquisition, procurement, and construction for programs funded with appropriations under this section. Additionally, this section allows the use of a vessel construction manager for the construction of a floating drydock, Arctic Security Cutters, or domestic icebreakers. It also limits

design, planning and engineering to 15 percent of the amount appropriated.

Before spending funds appropriated by this section, the Coast Guard is required to submit overdue reports on Coast Guard acquisition, provide an expenditure plan, and notify the Congressional committees of jurisdiction before taking actions impacting estimated acquisition costs or timelines. Finally, the President is required to notify the Congressional Committees of jurisdiction before exercising an exception under section 1151(b) of title 14, United States Code.

Sec. 100002. Changes to Mandatory Benefits Programs to Allow Selected Reserve Orders for Preplanned Missions to Secure Maritime Borders and Interdict Persons and Drugs

This section gives the Commandant of the Coast Guard the authority to order any member of the Selected Reserve to active duty for no more than 365 consecutive days to conduct preplanned missions.

Under current law, the Coast Guard has authority to call up reservists to respond to emergencies. In contrast, the Department of Defense has the authority to call up the reservists of the other five armed forces both to respond to emergencies and to conduct preplanned activities. This section provides the Coast Guard parity with the other armed forces.

Sec. 100003. Vessel Tonnage Duties

This section increases vessel tonnage duties imposed on vessels that enter the United States from a foreign port or place or depart from and return to a United States port or place after a "voyage to nowhere." Current tonnage duty rates were established in 1909 and were temporarily increased in fiscal years (FYs) 2006 through 2010. This section returns the tonnage duty level to the amount that was imposed in FYs 2006 through 2010.

Sec. 100004. Registration Fee on Motor Vehicles

This section directs the Administrator of the Federal Highway Administration (FHWA) to impose the following Federal annual motor vehicle registration fees: $250 for an electric vehicle and $100 for a hybrid vehicle. This section also requires each fee to be increased annually for inflation. Covered motor vehicles include vehicles intended for roadway use but exclude commercial motor vehicles and covered farm vehicles. This section requires that the collection of fees for electric vehicles and hybrid vehicles begins no later than the end of FY 2026 and that these fees terminate in FY 2035.

This section instructs state departments of transportation to collect the fees and remit the balance of the fees collected monthly to the FHWA Administrator. If a state fails to remit collected fees required under this section, FHWA will withhold Federal highway formula funding at an amount equal to 125 percent of the fees that were required to be remitted.

Additionally, this section provides $104 million for states to establish the registration fee process, providing that a state may re-

ceive not more than $2 million. A state found to be in compliance with this section is permitted to retain up to one percent of total fees collected by that state for administrative expenses.

This section requires the FHWA Administrator to issue any necessary regulations and guidance to carry out this section. This section also requires that the Administrator report to Congress on the status of implementation.

Sec. 100005. Deposit of Registration Fee on Motor Vehicles

This section provides that amounts accrued pursuant to 23 U.S.C. 180 (the fees on motor vehicles created in section 100004 of this Committee Print) are deposited into the Highway Trust Fund.

Sec. 100006. Motor Carrier Data

This section provides $5 million to the Administrator of the Federal Motor Carrier Safety Administration (FMCSA) to establish a public website that details whether each motor carrier, as defined in section 13102, of title 49 United States Code, meets FMCSA operating requirements. Additionally, this section establishes an annual $100 fee for accessing the website. This section also details that a broker, freight forwarder, or household goods freight forwarder who relies on the website's determinations of whether motor carriers have met FMCSA requirements has made reasonable and prudent determinations when engaging that motor carrier.

Sec. 100007. IRA Rescissions

This section permanently rescinds unobligated balances for seven programs created under the *Inflation Reduction Act:* alternative fuel and low-emission aviation technology program, neighborhood access and equity grant program, Federal building assistance, use of low-carbon materials for Federal building assistance, General Services Administration emerging technologies, environmental review implementation funds, and low-carbon transportation materials grants.

Sec. 100008. Air Traffic Control Staffing and Modernization

This section appropriates $12.5 billion to the Administrator of the Federal Aviation Administration (FAA) for the acquisition, sustainment, improvement, and operation of facilities and equipment necessary to improve or maintain aviation safety, as well as supporting the personnel related to those facilities. Specifically, the section makes the following funds available for obligation until September 30, 2029: $2.16 billion for air traffic control tower and terminal radar approach control facility replacement, of which at least $240 million will be available for Contract Tower Program air traffic control tower replacement and airport sponsor-owned air traffic control tower replacement; $3 billion for radar systems replacement; $4.75 billion for telecommunications infrastructure replacement; $500 million for runway safety projects, airport surface surveillance projects, and to carry out section 347 of the *FAA Reauthorization Act of 2024* related to surface safety risk mitigation; $550 million for unstaffed infrastructure sustainment and replacement; $300 million to carry out section 619 of the *FAA Reauthor-*

ization Act of 2024 related to NextGen programs; $260 million to carry out the Don Young Alaska Aviation Safety Initiative; and $1 billion for air traffic controller recruitment, retention, training, and advanced training technologies. Additionally, this section requires the FAA Administrator to provide a quarterly report on how these funds have been expended.

Sec. 100009. John F. Kennedy Center for the Performing Arts Appropriations

This section appropriates nearly $241.8 million, which will remain available for obligation until September 30, 2029, for expenses related to capital repair and restoration of the John F. Kennedy Center for the Performing Arts (Kennedy Center). The section also appropriates $7.7 million, which is available for obligation until September 30, 2026, for the operation, maintenance, and security at the Kennedy Center. Additionally, the section appropriates $7.2 million, available until September 30, 2029, for administrative expenses.

TITLE XI—COMMITTEE ON WAYS AND MEANS

"THE ONE, BIG, BEAUTIFUL BILL"

Title XI—COMMITTEE ON WAYS AND MEANS

SECTION-BY-SECTION

SUBTITLE A—MAKE AMERICAN FAMILIES AND WORKERS THRIVE AGAIN

PART I—PERMANENTLY PREVENTING TAX HIKES ON AMERICAN FAMILIES AND WORKERS

Sec. 110001. Extension of modification of rates

Current Law: Under current law, the modified federal income tax bracket schedule and lower tax rates are set to expire after December 31, 2025.

Provision: This provision makes permanent the modified federal income tax bracket schedule and lower tax rates created by the Tax

Cuts and Jobs Act. The provision also adds an additional year of inflation adjustment to all brackets except for the top bracket (37 percent).

Tax Rates & Brackets (2026)		
Bracket	Current Law	Provision
1	10.0%	10.0%
2	15.0%	12.0%
3	25.0%	22.0%
4	28.0%	24.0%
5	33.0%	32.0%
6	35.0%	35.0%
7	39.6%	37.0%

Sec. 110002. Extension of increased standard deduction and temporary enhancement

Current Law: Under current law, the increased standard deduction is set to expire after December 31, 2025.

Provision: This provision makes permanent the nearly doubled standard deduction created by the Tax Cuts and Jobs Act. The provision further increases the standard deduction by including an extra year of inflation adjustment. Additionally, for tax years 2025 through 2028, this provision increases the standard deduction by an additional $1,000 for a single filer, $1,500 for head of household, and $2,000 for married filing jointly. The impact of these modifications to the standard deduction for 2026, according to filing status, is summarized below.

Standard Deduction (2026)		
Filing Status	Current Law	Provision
Single	$ 8,300	$16,300
Head of Household	$12,150	$24,500
Married Filing Jointly	$16,600	$32,600

Sec. 110003. Termination of deduction for personal exemptions

Current Law: Under current law, the deduction for personal exemptions is set to return after December 31, 2025.

Provision: This provision permanently repeals the deduction for personal exemptions.

Sec. 110004. Extension of increased child tax credit and temporary enhancement

Current Law: Under current law, the child tax credit will return to pre-2017 levels after December 31, 2025. This means that the credit amount will drop from $2,000 to $1,000 per child, the child Social Security number (SSN) requirement will be eliminated, and fewer American families will qualify for the credit as the income phase-out levels return to much lower thresholds. Additionally, the $500 nonrefundable credit for non-child dependents will expire after December 31, 2025.

Provision: This provision makes permanent the doubled child tax credit of $2,000 per child, maintains the increased income phase-out thresholds, and maintains the nonrefundable, non- child de-

pendent credit. Additionally, this provision permanently indexes the credit amount for inflation beginning after 2026 (rounded down to the nearest $100) and leaves the refundable credit unchanged.

Furthermore, the requirement of the child's SSN for purposes of claiming the credit is maintained and expanded upon to require the taxpayer's SSN and, for joint filers, the spouse's SSN in order to claim the credit. The SSNs provided must be considered work-eligible in order to claim the credit.

Additionally, this provision increases the child tax credit to $2,500 per child for tax years 2025 through 2028.

Finally, this provision allows for the election to treat income from a 501(d) organization as earned income for purposes of the CTC.

Sec. 110005. Extension of deduction for qualified business income and permanent enhancement

Current Law: Under current law, an individual generally may deduct 20 percent of qualified business income from a partnership, S corporation, or sole proprietorship, as well as 20 percent of certain real estate investment trust dividends and publicly traded partnership income. The deduction is limited to 20 percent of taxable income minus net capital gain.

Special rules apply to taxpayers with taxable income in excess of the "threshold amount," which, for tax year 2025, is $394,600 for married taxpayers filing jointly and $197,300 for all other taxpayers. The threshold amount is indexed annually for inflation. For taxpayers with taxable income in excess of the threshold amount, the deduction for qualified business income is limited based on (1) the W–2 wages and capital investment of each relevant business (the "wage and investment limitation"), and (2) whether each relevant business is a specified service trade or business (the "SSTB limitation"). Both limitations phase in over a fixed range of taxable income ($100,000 for married taxpayers filing jointly and $50,000 for all other taxpayers). Due to the structure of these phase-ins, some taxpayers are subject to marginal tax rates close to 70 percent.

The deduction for qualified business income is set to expire for taxable years beginning after December 31, 2025.

Provision: This provision makes the deduction for qualified business income permanent. For taxable years beginning after December 31, 2025, this provision also increases the deduction percentage from 20 percent to 23 percent.

This provision also modifies the phase-in of the wage and investment limitation and the SSTB limitation. Under this provision, instead of phasing in over a fixed range of taxable income, these limitations phase in at a fixed rate. Specifically, for each dollar of taxable income over the threshold amount, a taxpayer's deduction for qualified business income is reduced by 75 cents until both limitations are fully phased in. This change prevents taxpayers from being subject to marginal tax rates close to 70 percent.

Additionally, this provision modifies the calculation of the threshold amount by adding an additional year of inflation adjustment.

This provision also makes certain income of business development companies (as defined in the *Investment Company Act of 1940*) eligible for the qualified business income deduction.

Sec. 110006. Extension of increased estate and gift tax exemption amounts and permanent enhancement

Current Law: Under current law, the increased estate and lifetime gift tax exemption amount is set to expire after December 31, 2025.

Provision: This provision permanently extends the estate and lifetime gift tax exemption, increases the exemption amount to $15 million for single filers ($30 million for married filing jointly) in 2026, and indexes the exemption amount for inflation going forward.

Sec. 110007. Extension of increased alternative minimum tax exemption and phase-out thresholds

Current Law: Under current law, the increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds are set to expire for taxable years beginning after December 31, 2025.

Provision: This provision permanently extends the increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds.

Sec. 110008. Extension of limitation on deduction for qualified residence interest

Current Law: Under current law, the deduction for qualified residence interest, also known as the home mortgage interest deduction, is set to increase from the first $750,000 in home mortgage acquisition debt to $1 million after December 31, 2025.

Provision: This provision permanently lowers the deduction for qualified residence interest to the first $750,000 in home mortgage acquisition debt.

Sec. 110009. Extension of limitation on casualty loss deduction

Current Law: Under current law, the itemized deduction for uncompensated personal casualty losses resulting from a fire, storm, shipwreck, other casualty, or theft is set to return after December 31, 2025.

Provision: This provision permanently allows for the itemized deduction for only personal casualty losses resulting from federally declared disasters.

Sec. 110010. Termination of miscellaneous itemized deduction

Current Law: Under current law, individuals will be permitted to deduct certain miscellaneous itemized deductions in taxable years beginning after December 31, 2025.

Provision: This provision permanently eliminates miscellaneous itemized deductions.

Sec. 110011. Limitation on tax benefit of itemized deductions

Current Law: Under current law, in tax years beginning after December 21, 2025 certain individual taxpayers will be subject to an overall limitation on itemized deductions known as the "Pease limitation." In 2026, the Pease limitation is expected to apply to taxpayers with adjusted gross income above the following thresholds: $339,850 for single filers, $373,850 for head of household filers, and $407,850 for married joint filers. A taxpayer subject to the Pease limitation is generally required to reduce itemized deductions by three percent of the amount by which the taxpayer's adjusted gross income exceeds the applicable income threshold.

Additionally, the value of a taxpayer's itemized deductions depends on the taxpayer's marginal income tax rate. For instance, generally, for a taxpayer in the 37 percent individual income tax bracket, each dollar of itemized deductions has a value of $0.37.

Provision: This provision permanently repeals the Pease limitation and replaces it with a new overall limitation on itemized deductions. This provision caps the value of each dollar of itemized deductions at $0.35, in most cases, and applies only to taxpayers in the highest individual income tax bracket. This new limitation is effective for taxable years beginning after December 31, 2025.

Sec. 110012. Termination of qualified bicycle commuting reimbursement exclusion

Current Law: Under current law, the $20 per month qualified bicycle commuting reimbursement exclusion received by an employee from an employer is set to return for taxable years beginning after December 31, 2025.

Provision: This provision permanently eliminates the qualified bicycle commuting reimbursement exclusion.

Sec. 110013. Extension of limitation on exclusion and deduction for moving expenses

Current Law: Under current law, both the exclusion for qualified moving expenses reimbursement and the deduction for moving expenses are set to return for taxable years beginning after December 31, 2025.

Provision: This provision permanently eliminates both the exclusion for qualified moving expenses reimbursement and the deduction for moving expenses, except for active-duty members of the Armed Forces.

Sec. 110014. Extension of limitation on wagering losses

Current Law: Under current law, taxpayers can claim a deduction for wagering losses to the extent of wagering winnings. Other deductions connected to wagering may also be claimed regardless of wagering winnings.

Provision: This provision permanently requires that all deductions for expenses incurred in relation to wagering also be limited to the extent of wagering winnings.

Sec. 110015. Extension of increased limitation on contributions to ABLE accounts and permanent enhancement

Current Law: Under current law, the additional contribution limit to Achieving a Better Life Experience (ABLE) accounts, which is equal to the lesser of (1) the applicable federal poverty level for a one-person household in the prior year, or (2) the beneficiary's compensation for the year, is set to expire on December 31, 2025.

Provision: This provision permanently allows the additional contributions to ABLE accounts. The provision also provides an additional year of inflation adjustment for the base amount of the limit.

Sec. 110016. Extension of savers credit allowed for ABLE contributions

Current Law: Under current law, eligibility for the Saver's Credit for designated beneficiaries who make qualified contributions to their Achieving a Better Life Experience (ABLE) accounts is set to expire on December 31, 2025.

Provision: This provision permanently allows designated beneficiaries who make qualified contributions to their ABLE account to qualify for the Saver's Credit.

Sec. 110017. Extension of rollovers from qualified tuition programs to ABLE accounts permitted

Current Law: Under current law, the ability to make tax-free rollovers of amounts from Section 529 qualified tuition programs to qualified Achieving a Better Life Experience (ABLE) programs is set to expire on December 31, 2025.

Provision: This provision permanently allows tax-free rollovers of amounts in Section 529 qualified tuition programs to qualified ABLE programs.

Sec. 110018. Extension of treatment of certain individuals performing services in the Sinai Peninsula and enhancement to include additional areas

Current Law: Under current law, the Sinai Peninsula will no longer be considered a qualified hazardous duty area for tax purposes after December 31, 2025.

Provision: This provision permanently lists the Sinai Peninsula, in addition to Kenya, Mali, Burkina Faso, and Chad, as a qualified hazardous duty area for tax purposes.

Sec. 110019. Extension of exclusion from gross income of student loans discharged on account of death or disability

Current Law: Under current law, any income resulting from the discharge of student debt on account of death or total disability of the student is excluded from taxable income. This treatment of discharge income due to death or disability is set to expire after December 31, 2025.

Provision: This provision permanently extends the exclusion from a taxpayer's income of any income resulting from the discharge of student debt on account of death or total disability of the student. This provision also adds Social Security number requirements for the taxpayer in order to be able to claim such exclusion.

PART 2—ADDITIONAL TAX RELIEF FOR AMERICAN FAMILIES AND WORKERS

Sec. 110101. No tax on tips

Current Law: Not applicable.

Provision: This provision creates an above-the-line deduction for qualified tips received by an individual in an occupation which traditionally and customarily receives tips during a given taxable year. In order to be considered a qualified tip, the tip amount must be paid voluntarily, is not subject to negotiation, and is determined by the payor. The deduction is allowed for both employees receiving a W–2 and independent contractors receiving a 1099–K, 1099–NEC, or reported by the taxpayer on Form 4317. Qualified tips must be received voluntarily by an individual in an occupation that traditionally and customarily receives tips on or before December 31, 2024, as provided by the Secretary of the Treasury. Furthermore, qualified tips do not include any amount received in the course of a specified service trade or business as defined in Internal Revenue Code (IRC) section 199A(d)(2)). Additionally, highly compensated employees or workers with earned income exceeding the dollar amount in elect under IRC section 414(q)(1)(B)(i) are ineligible to receive the deduction. A work-eligible Social Security number is required in order to claim the deduction. The deduction is allowed from tax years 2025 through 2028.

FICA Tip Tax Credit

Current Law: Under current law, the Federal Insurance Contribution Act (FICA) tip tax credit is limited to cash tips received for providing, serving, or delivering food or beverages.

Provision: This provision expands the FICA tip tax credit for a portion of the employer-paid Social Security taxes for employee cash tips to include beauty service establishments. The credit applies to tips received in connection with providing beauty services to a customer or client if tipping employees who provide the service is customary. Beauty services include barbering and hair care, nail care, esthetics, and body and spa treatments.

Sec. 110102. No tax on overtime

Current Law: Not applicable.

Provision: This provision creates an above-the-line deduction for overtime premium pay during a given taxable year. Qualified overtime compensation means overtime compensation paid to an individual required under Section 7 of the *Fair Labor Standards Act of 1938* that is in excess of the regular rate (as used in such section) at which such individual is employed. Additionally, taxpayers who are highly compensated employees or with earned income exceeding the dollar amount in elect under IRC section 414(q)(1)(B)(i) are ineligible to receive the deduction. A work-eligible Social Security number is required in order to claim the deduction. The deduction is allowed from tax years 2025 through 2028.

Sec. 110103. Enhanced deduction for seniors

Current Law: Not applicable.

Provision: This provision provides a deduction for seniors (age 65 or older) of $4,000 per eligible filer with a modified adjusted gross income that does not exceed $75,000 for single filers ($150,000 for married filing jointly). The senior deduction is available to both itemizers and non-itemizers. The deduction is allowed for tax years 2025 through 2028.

Sec. 110104. No tax on car loan interest

Current Law: Not applicable.

Provision: This provision creates an above-the-line deduction of up to $10,000 for qualified passenger vehicle loan interest during a given taxable year. The deduction phases out starting when the taxpayer's modified adjusted gross income exceeds $100,000 ($200,000 in the case of a joint return). For purposes of the deduction, an applicable passenger vehicle of which interest can be deducted is (1) manufactured primarily for use on public streets, roads, and highways; (2) which has at least two wheels; (3) which is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle; and (4) the final assembly of which occurs in the U.S. For the purposes of the deduction, an applicable passenger vehicle also includes all-terrain vehicles and recreational vehicles which the final assembly of which occurs in the U.S. The deduction is allowed from tax years 2025 through 2028.

Sec. 110105. Enhancement of employer-provided child care credit

Current Law: Under current law, the employer-provided child care credit (section 45F) provides businesses a nonrefundable tax credit of up to $150,000 per year on up to 25 percent of qualified child care expenses provided to employees. Therefore, an employer must spend at least $600,000 on child care related expenses to receive the full credit. The credit has remained unchanged since its creation in 1986.

Provision: This provision permanently increases the employer-provided child care credit, creates a separate credit amount for qualified small businesses, and indexes the maximum credit amounts for inflation.

Specifically, this provision increases the maximum credit from $150,000 to $500,000 and the percentage of qualified child care expenses covered from 25 percent to 40 percent. Therefore, a business must spend at least $1.25 million on child care related expenses to receive the full credit. Additionally, section 45F is further strengthened for small businesses by increasing the maximum credit to $600,000 and the percent of qualified child care expenses covered to 50 percent. Therefore, a small business must spend at least $1.2 million on child care related expenses to receive the full credit. An eligible small business is one that meets the gross receipts test under Internal Revenue Code section 448(c) for a five-year period.

Additionally, this provision allows for small businesses to pool their resources to provide child care to their employees and for businesses to use a third-party intermediary to facilitate child care services on their behalf.

Employer-Provided Child Care Tax Credit (Section 45F)		
Provision	Current Law	Provision
Maximum Credit	$150,000	$500,000
Maximum Credit (Small Businesses)	n/a	$600,000
% of Expenses Covered	25%	40%
% of Expenses Covered (Small Businesses)	n/a	50%
Small Business Pooling	NO	YES
Intermediaries	NO	YES

Sec. 110106. Extension and enhancement of paid family and medical leave credit

Current Law: Under current law, the paid family and medical leave (PFML) tax credit, created by the Tax Cuts and Jobs Act, provides businesses with a nonrefundable tax credit ranging from 12.5 percent to 25 percent of the wages paid to employees on leave.

For an employer to claim the credit they must (1) provide at least two weeks of PFML to all eligible employees annually, (2) have a written policy in elect, and (3) pay at least 50 percent of normal wages to employees during their leave. Employers can claim up to 12 weeks of paid leave benefits. An eligible employee is a full- or part-time employee that has (1) worked for the employer for at least one year and (2) earns no more than 60 percent of the "highly compensated employee" limit ($96,000 in 2025).

The PFML credit is set to expire after December 31, 2025.

Provision: This provision makes permanent the PFML tax credit and makes three modifications. First, it expands the credit allowing employers to claim the credit for a portion of paid family leave (PFL) insurance premiums. PFL insurance is a newer offering that is primarily utilized by smaller businesses to offer paid leave benefits to their employees and is available in a growing number of states. Second, it makes the credit available in all states. Third, it lowers the minimum employee work requirement from 1-year to 6-months.

Sec. 110107. Enhancement of adoption credit

Current Law: Under current law, for the 2024 tax year, the adoption tax credit is capped at $16,810 for qualified adoption expenses when adopting an eligible child. The credit begins to phase out for adjusted gross incomes (AGIs) over $252,150 and completely phases out at AGIs over $292,150. Both the credit and AGI limits are indexed for inflation. The credit is nonrefundable; however, any unused credit can be carried forward for up to five years.

Provision: This provision makes the adoption tax credit partially refundable up to $5,000 (indexed for inflation) beginning in tax years starting after December 31, 2024. The refundable portion of the credit cannot be carried forward.

Sec. 110108. Recognizing Indian tribal governments for purposes of determining whether a child has special needs for purposes of the adoption credit

Current Law: Under current law, state governments are able to determine whether a child has "special needs" for purposes of the adoption tax credit. A child is considered to be special needs if they are difficult to place in a home (i.e. are older, have a disability or

health condition, or are part of a sibling group). When a child is deemed special needs by a state government, the adoptive family becomes eligible for the full adoption tax credit.

Provision: This provision provides parity to Indian tribal governments, giving them the same ability as state governments to determine whether a child has special needs for the purposes of the adoption tax credit.

Sec. 110109. Tax credit for contributions of individuals to scholarship granting organizations

Current Law: Not applicable.

Provision: This provision creates a new tax credit for individuals beginning in calendar year 2026 for charitable contributions to tax-exempt organizations that provide scholarships to elementary and secondary school students. Such students who benefit from the scholarships must be members of a household with incomes not greater 300 percent of the area median gross income and be eligible to enroll in a public elementary or secondary school. Under this provision, the tax credit program runs through calendar year 2029.

Sec. 110110. Additional elementary, secondary, and home school expenses treated as qualified higher education expenses for purposes of 529 accounts

Current Law: Under current law, 529 savings plans are tax-advantaged accounts designed to fund education expenses, with federal law allowing tax-free withdrawals for the following qualified expenses: tuition (including up to $10,000 annually for K–12 education), fees, books, supplies, equipment required for enrollment, room and board (for students enrolled at least half-time), computers, software, internet access, special needs services, and costs for registered apprenticeship programs.

Provision: This provision allows tax-exempt distributions from 529 savings plans to be used for additional educational expenses in connection with enrollment or attendance at an elementary, secondary, or home school, including:

- curriculum and curricular materials,
- books or other instructional materials,
- online educational materials,
- tutoring or educational classes outside the home,
- testing fees,
- fees for dual enrollment in an institution of higher education, and
- educational therapies for students with disabilities.

Sec. 110111. Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts

Current Law: Under current law, 529 savings plans are tax-advantaged accounts designed to fund education expenses, with federal law allowing tax-free withdrawals for the following qualified expenses: tuition (including up to $10,000 annually for K–12 education), fees, books, supplies, equipment required for enrollment, room and board (for students enrolled at least half-time), com-

puters, software, internet access, special needs services, and costs for registered apprenticeship programs.

Provision: This provision allows tax-exempt distributions from 529 savings plans to be used for additional qualified higher education expenses, including "qualified postsecondary credentialing expenses" in connection with "recognized postsecondary credential programs" and "recognized postsecondary credentials".

Sec. 110112. Reinstatement of partial deduction for charitable contributions of individuals who do not elect to itemize

Current Law: Under current law, only taxpayers who itemize are able to deduct their charitable contributions.

Provision: This provision creates a temporary deduction for non-itemizing taxpayers up to $150 for single filers ($300 for married filing jointly) for charitable cash contributions for tax years 2025 through 2028. The charitable contribution must be made to a qualified charity and cannot be made to Donor-Advised Funds or supporting organizations.

Sec. 110113. Exclusion for certain employer payments of student loans under educational assistance programs made permanent and adjusted for inflation

Current Law: Under current law, the first $5,250 of employer-provided educational assistance is excluded from an employee's gross income. Employer-provided education assistance includes the payment, by an employer, of an employee's educational expenses (including, but not limited to, tuition, fees, and similar payments, books, supplies, and equipment). This also includes an employee's qualified student loan payments in the case of payments made before January 1, 2026.

Provision: This provision makes permanent the exclusion from gross income for qualified education loan payments under IRC section 127(c)(1)(B). This section also indexes for inflation the maximum exclusion from gross income for educational assistance programs under IRC section 127(a)(2).

Sec. 110114. Extension of rules for treatment of certain disaster-related personal casualty losses

Current Law: Under current law, taxpayers may claim disaster-related personal casualty losses, without having to itemize, for disasters occurring through February 10, 2025.

Provision: This provision extends this tax treatment of disaster-related personal casualty losses through the date of enactment.

Sec. 110115. MAGA accounts

Current Law: Not applicable.

Provision: This provision creates Money Accounts for Growth and Advancement (the "MAGA accounts"), a new kind of savings account designed to incentivizing education, entrepreneurship, and homeownership while promoting financial security. The accounts are administered by a bank or similar financial institution and the overall program is overseen by the Department of Treasury.

Starting January 1, 2026, parents of any child under the age of eight years old may open a MAGA account for their child. These accounts allowable for children born before January 1, 2024, are eligible to receive contributions from parents, relatives, and other taxable entities as well as non-profit and government entities facilitated by the Treasury Department. To be eligible to open an account, the child must be a U.S. citizen and at least one parent must provide their SSN. The SSN provided must be considered work-eligible in order to open an account. MAGA account funds must be invested in a diversified fund that tracks an established index of U.S. equities.

Contributions

Taxable entities may contribute up to $5,000 annually of after-tax dollars to a MAGA account. The $5,000 contribution limit is indexed for inflation.

Contributions provided to MAGA accounts from tax exempt entities, such as private foundations, are not subject to the $5,000 annual limit. These contributions from unrelated third parties must be provided to all children within a qualified group (i.e. all children in a state, specific school district or educational institution, etc.). No additional contributions of any kind shall be made to MAGA accounts after the beneficiary has attained age 18.

Distributions

MAGA account holders may not take distributions until age 18. Account holders may access up to 50 percent of funds for higher education, training programs, small business loans, or first-time home purchases. At age 25, accountholders may withdraw any amount up to the full balance of the account for these limited purposes. At age 30, account holders have access to the full balance of the account for any purpose.

Distributions taken for qualified purposes are taxed as long-term capital gains, while distributions for any other purposes are taxed as ordinary income.

Sec. 110116. MAGA accounts contribution pilot program

Current: Not applicable.

Provision: This provision builds off of the previous section and creates a newborn pilot program for MAGA accounts.

For U.S. citizens born between January 1, 2024, and December 31, 2028, the federal government will contribute $1,000 per child into every eligible account. For newborns, MAGA accounts may be opened by parents or guardians. To be eligible to open an account and receive the $1,000 contributions, the child must be a U.S. citizen and both parents must provide their Social Security numbers (SSNs). The SSNs provided must be considered work-eligible in order to claim the credit.

If the Secretary of Treasury determines that an eligible individual does not have an account opened for them by the first tax return where the child is claimed as a qualifying child, the Secretary shall establish an account on the child's behalf, taking into account, to the extent possible, the parents preferred custodian and

investment fund. Parents will be provided the option to opt out of the account.

PART 3—INVESTING IN HEALTH OF AMERICAN FAMILIES AND WORKERS

Sec. 110201. Treatment of health reimbursement arrangements integrated with individual market coverage

Current Law: Under current law, employees with a health reimbursement arrangement (HRA) offered by their employer can use this tax-advantaged arrangement on certain medical expenses. Final regulations from 2019 expanded the use of HRAs, allowing employers to offer "Individual Coverage HRAs" which, in addition to existing medical expenses, can also now be used to purchase qualified health insurance on the individual market without violating group health plan requirements.

Provision: This provision codifies the final 2019 regulations permitting Individual Coverage HRAs and renames the policy as Custom Health Option and Individual Care Expense (CHOICE) arrangements.

Sec. 110202. Participants in CHOICE arrangement eligible for purchase of Exchange insurance under cafeteria plan

Current Law: Generally, employers cannot reimburse employees for health plan premiums purchased through an Exchange if any of the premium could be paid through salary reduction. This rule makes it impossible for employers to offer an Individual Coverage HRA while also allowing the same employees to use a cafeteria arrangement to pay for the balance of the plan's premium.

Provision: This provision permits employees enrolled in a CHOICE arrangement to use a salary reduction to pay for health plan premiums purchased through an Exchange.

Sec. 110203. Employer credit for CHOICE arrangement

Current Law: Not applicable.

Provision: This provision creates a two-year tax credit for small businesses with fewer than 50 employees offering coverage through CHOICE arrangements for the first time. The general business credit amount is $100 per employee, per month in the first year and $50 per employee, per month in the second year.

Sec. 110204. Individuals entitled to Part A of Medicare by reason of age allowed to contribute to health savings accounts

Current Law: Individuals entitled to Medicare Part A are ineligible to contribute to a health savings account (HSA) even if they are still enrolled in a private high-deductible health plan (HDHP).

Provision: This provision allows working seniors who are eligible for Medicare Part A, but enrolled in an HDHP, to continue contributing to an HSA. The current guardrails that apply to individuals that are under 65 and are contributing to HSAs would continue to apply to this population, including a penalty on non-qualified medical expenses purchases.

Sec. 110205. Treatment of direct primary care service arrangements

Current Law: The Internal Revenue Service (IRS) has indicated it views certain direct primary care (DPC) arrangements as a separate and additional form of health insurance coverage, therefore incompatible with HSAs which can only be offered alongside an HDHP.

Provision: This provision allows individuals with HDHPs to also enroll in DPC arrangements (and maintain their HSA) and allows HSA funds to be used to pay for DPC services. HSA distributions for DPC services cannot exceed $150 per month for individuals or $300 per month for family arrangements, adjusted annually for inflation.

Sec. 110206. Allowance of bronze and catastrophic plans in connection with health savings accounts

Current Law: Under current law, some bronze and all catastrophic health insurance plans have maximum out-of-pocket costs that exceed IRS-defined limits for HDHPs disqualifying HSA compatibility.

Provision: This provision allows all bronze and catastrophic health insurance plans on the Exchange to be eligible plans for the purpose of making HSA contributions.

Sec. 110207. On-site employee clinics

Current Law: Current law does not allow individuals to contribute to an HSA if they utilize certain discounted health services at a health clinic at their worksite because the IRS views such services as a significant medical benefit, therefore incompatible with HSAs.

Provision: This provision allows individuals who utilize discounted health care services at a health clinic at their worksite to contribute to an HSA.

Sec. 110208. Certain amounts paid for physical activity, fitness, and exercise treated as amounts paid for medical care

Current Law: Sports and fitness expenses, such as fitness facility membership fees, are not treated as HSA qualified medical expenses.

Provision: This provision allows individuals to use their HSA for physical fitness memberships and instructional physical activity up to $500 per year for an individual and $1,000 per year for a family with up to one-twelfth of such expenses allowed per month.

Sec. 110209. Allow both spouses to make catch-up contributions to the same health savings account

Current Law: Under current law, if both spouses are HSA-eligible and age 55 or older, they must open separate HSA accounts to make their respective "catch-up" contributions (an extra $1,000 annually).

Provision: This provision would allow both spouses to deposit their catch-up contributions into one account.

Sec. 110210. FSA and HRA terminations or conversions to fund HSAs

Current Law: Under current law, individuals cannot transfer flexible spending arrangement (FSA) or health reimbursement arrangement (HRA) balances into an HSA.

Provision: This section allows employees, at the employer's discretion, to convert FSA and HRA balances into an HSA contribution upon enrolling in an HDHP–HSA. The conversion amount is capped at the annual FSA contribution limit ($3,300 in 2025).

Sec. 110211. Special rule for certain medical expenses incurred before establishment of health savings account

Current Law: Under current law, HSA funds can only be used for the purchase of a qualified medical expense (QME) after the HSA is established.

Provision: This provision would allow medical services incurred within 60 days before the establishment of an account to be eligible QMEs.

Sec. 110212. Contributions permitted if spouse has health flexible spending arrangement

Current Law: Under current law, individuals are not eligible for an HSA if their spouse is enrolled in a flexible spending arrangement (FSA).

Provision: This provision would allow individuals to be eligible for an HSA even if the individual's spouse is enrolled in an FSA.

Sec. 110213. Increase in health savings account contribution limitation for certain individuals

Current Law: Under current law, statutory HSA contribution limits are indexed every year for inflation. In 2025, annual HSA contribution limits are $4,300 for self-only coverage and $8,550 for family coverage.

Provision: This provision allows individuals who make less than $75,000 annually (or $150,000 in the case of families) to contribute an additional $4,300 (or $8,550 in the case of families) each year to their HSA, indexed for inflation. Such additional amounts are phased out for individuals making $100,000 annually (or $200,000 for families).

Sec. 110214. Regulations

Current Law: Not applicable.

Provision: This provision allows the Secretaries of the Treasury and Health and Human Services to prescribe rules and guidance as appropriate to enact the policies in this Part.

SUBTITLE B—MAKE RURAL AMERICA AND MAIN STREET GROW AGAIN

PART 1—EXTENSION OF TAX CUTS AND JOBS ACT REFORMS FOR RURAL AMERICA AND MAIN STREET

Sec. 111001. Extension of special depreciation allowance for certain property

Current Law: Under current law, taxpayers are generally required to deduct the cost of property used in a trade or business over a period of time. However, in the case of certain "qualified property" (including most equipment and machinery), a taxpayer is permitted to deduct a percentage of the cost in the first year that the property is placed in service ("immediate expensing"). For qualified property placed in service in 2025, a taxpayer is generally permitted to immediately expense 40 percent of the cost. For qualified property placed in service in 2026, a taxpayer is generally permitted to immediately expense 20 percent of the cost.

Provision: This provision allows taxpayers to immediately expense 100 percent of the cost of qualified property acquired on or after January 20, 2025, and before January 1, 2030.

Sec. 111002. Deduction of domestic research and experimental expenditures

Current Law: Under current law, taxpayers are required to deduct research or experimental expenditures over a five-year period. Research or experimental expenditures that are attributable to research conducted outside the U.S. are required to be deducted over a 15-year period.

Provision: This provision allows taxpayers to immediately deduct domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024, and before January 1, 2030.

This provision includes rules to coordinate the immediate deductibility of domestic research or experimental expenditures with the research credit, rules clarifying the treatment of foreign research or experimental expenditures, and other coordinating changes.

Sec. 111003. Modified calculation of adjusted taxable income for purposes of business interest deduction

Current Law: Under current law, the deduction for business interest expense for a taxable year is generally limited to the sum of (1) the taxpayer's business interest income for the taxable year, (2) 30 percent of the taxpayer's "adjusted taxable income" for the taxable year, and (3) the taxpayer's "floor plan financing interest" for the taxable year. "Adjusted taxable income" corresponds with the financial accounting concept of earnings before interest and taxes (EBIT).

"Floor plan financing interest" refers to interest paid or accrued on indebtedness used to finance the acquisition of motor vehicles held for sale or lease to retail customers and secured by the inventory so acquired. A "motor vehicle" means a motor vehicle that is: (1) any self-propelled vehicle designed for transporting person or

property on a public street, highway, or road; (2) a boat; or (3) farm machinery or equipment.

Provision: This provision increases the cap on the deductibility of business interest expense for taxable years beginning after December 31, 2024, and before January 1, 2030. Specifically, it provides that "adjusted taxable income" is computed without taking into account deductions for depreciation, amortization, or depletion. As a result, "adjusted taxable income" corresponds with the financial accounting concept of earnings before interest, taxes, depreciation, and amortization (EBITDA).

This provision also permanently modifies the definition of "motor vehicle" to include certain trailers and campers designed to be towed by or affixed to a motor vehicle. This change allows interest on floor plan financing for such trailers and campers to be deducted.

Sec. 111004. Extension of deduction for foreign-derived intangible income and global intangible low-taxed income

Current Law: Under current law, a U.S. corporation is allowed a deduction of 37.5 percent for its foreign-derived intangible income and a 50 percent deduction for its inclusions with respect to global intangible low-taxed income. These deductions will be reduced to 21.875 percent and 37.5 percent, respectively, for taxable years beginning after December 31, 2025.

Provision: This provision permanently increases the deduction amount for foreign-derived intangible income from 21.875 percent to 37.5 percent and increases the deduction for global intangible low-taxed income from 37.5 percent to 50 percent for taxable years beginning after December 31, 2025.

Sec. 111005. Extension of base erosion minimum tax amount

Current Law: Under current law, the base erosion anti-abuse tax imposes a 10 percent minimum tax on corporations with annual gross receipts in excess of $500 million and base erosion payments above a certain threshold. For taxable years beginning after December 31, 2025, the 10 percent rate will increase to 12.5 percent and credits computing the tax will no longer be allowed.

Provision: This provision permanently reduces the rate from 12.5 percent to 10 percent beginning January 1, 2026. The provision also permanently retains the current treatment of tax credits for taxable years beginning after December 31, 2025.

PART 2—ADDITIONAL TAX RELIEF FOR RURAL AMERICA AND MAIN STREET

Sec. 111101. Special depreciation allowance for qualified production property.

Current Law: Under current law, taxpayers are generally required to deduct the cost of nonresidential real property over a 39-year period.

Provision: This provision allows taxpayers to immediately deduct 100 percent of the cost of certain new factories, certain improvements to existing factories, and certain other structures.

Specifically, this provision allows taxpayers to deduct 100 percent of the adjusted basis of qualified production property in the year such property is placed in service. "Qualified production property" is defined as the portion of any nonresidential real property that meets the following requirements (among others):

1. The property must be used by the taxpayer as an integral part of a qualified production activity;
2. The property must be placed in service in the U.S. or a U.S. territory;
3. The original use of the property must begin with the taxpayer;
4. The construction of the property must begin after December 31, 2024, and before January 1, 2030;
5. The property must be placed in service before January 1, 2034; and
6. The taxpayer must have elected to claim an immediate deduction with respect to such portion of the property.

A "qualified production activity" generally means the manufacturing, production, or refining of tangible personal property. An activity generally does not count as a qualified production activity unless it results in a substantial transformation of the property comprising a product. The term "production" is limited to agricultural production and chemical production.

Some of the requirements described above are relaxed in the case of a taxpayer that acquires a property that was not used for productive activities during the period between January 1, 2021, and May 12, 2025. This special rule could apply, for instance, to a taxpayer that acquires and rehabilitates a factory that was abandoned in 2020.

Any portion of a property that is used for offices, administrative services, lodging, parking, sales activities, research activities, software engineering activities, or certain other functions is ineligible for this benefit.

Recapture rules apply in certain cases where, during the 10-year period after qualified production property is placed in service, the use of the property changes.

Sec. 111102. Renewal and enhancement of opportunity zones

Current Law: Under current law, opportunity zones (OZs) exist as a temporary policy that have been used as an economic development tool to revitalize distressed communities across the country. Created in the *Tax Cuts and Jobs Act*, OZs are census tracts that meet the definition of "low-income community" and that were nominated by state governors and certified by the U.S. Department of Treasury as eligible areas for qualified investments to be made in exchange for certain tax benefits. The program was created as temporary policy, existing over a 10-year window as an initial "round" of OZ development.

Definitions

Low-Income Community (LIC): A census tract that has a poverty rate of at least 20 percent or a median family income that does not exceed 80 percent of the area median income.

Qualified Opportunity Fund (QOF): An investment vehicle with the specific purpose of investing in OZs. All qualifying investments must be made through QOFs in order to be eligible for the tax benefits.

Designation

In each state, governors were able to nominate up to 25 percent of eligible tracts as OZs. If a state had less than 100 eligible tracts, then up to 25 eligible tracts were allowed to be designated. Additionally, under certain circumstances, a contiguous tract that is not a LIC was able to be designated along with the LIC that was designated as an OZ.

Tax Benefits

The OZ program operates over a 10-year window and provides investors with three tax benefits for investing their unrealized capital gains into eligible distressed communities:

1. A temporary deferral on taxes for capital gains rolled over from a non-OZ investment into a QOF to be invested into an OZ. The taxes are not realized until 2026 or when the asset is sold/disposed of, whichever comes first.
2. A step-up in basis on their previously earned capital gains that were invested in a QOF. Investments held for five years receive a 10 percent step-up in basis and investments held for seven years receive an additional five percent step-up in basis (for a total 15 percent).
3. For investments held for at least 10 years, taxpayers receive a permanent exclusion of taxable income on the gains resulting from the original investment.

The initial OZ round is set to expire after December 31, 2026.

Provision: This provision creates a second round of OZs, making adjustments and improvements to the previous policy. Specifically, the definition of "low-income community" is narrowed to census tracts that have a poverty rate of at least 20 percent or a median family income that does not exceed 70 percent of the area median income. Additionally, a guardrail is added to ensure that the term "low-income community" does not include any census tract where the median family income is 125 percent or greater of the area median family income.

This provision maintains the OZ designation process from the Tax Cuts and Jobs Act and adds that at least 33 percent of designated OZs must be comprised entirely of a rural area. In the case that there are fewer than 33 percent of rural qualified OZs, all eligible rural areas must be designated. A rural area is defined in the Consolidated Farm and Rural Development Act. Additionally, this provision makes contiguous tracts ineligible for OZ designation.

Furthermore, this provision simplifies the investment incentives and creates "rural qualified opportunity funds" (RQOFs). Investments made in a QOF receive a single step-up in basis of 10 percent when held for at least five years. In rural areas, investments must be made into a RQOF and will receive a 30 percent step-up in basis when held for at least five years. Additionally, taxpayers may choose to invest up to $10,000 of post-tax ordinary income into a QOF or RQOF, and a special rule is created that lowers the "sub-

stantial improvement" threshold of existing structures from 100 percent to 50 percent in rural areas.

Lastly, this provision adds reporting requirements for the OZ program.

This second round of OZs will begin on January 1, 2027, and end on December 31, 2033.

Sec. 111103. Increased dollar limitations for expensing of certain depreciable business assets

Current Law: Under current law (IRC section 179) a taxpayer may elect to expense the cost of qualifying property, rather than to recover such costs through tax depreciation deductions, subject to limitation. Under current law, the maximum amount a taxpayer may expense is $1 million of the cost of qualifying property placed in service for the taxable year. The $1 million amount is reduced by the amount by which the cost of such property placed in service during the taxable year exceeds $2.5 million. The $1 million and $2.5 million amounts are adjusted for inflation for taxable years beginning after 2018, and are $1.25 million and $3.13 million in 2025, respectively. In general, qualifying property is defined as depreciable tangible personal property, off-the-shelf computer software, and qualified real property that is purchased for use in the active conduct of a trade or business.

Provision: This provision increases the maximum amount a taxpayer may expense under IRC section 179 to $2.5 million, reduced by the amount by which the cost of qualifying property exceeds $4 million. The $2.5 million and $4 million amounts are adjusted for inflation for taxable years beginning after 2025. The proposal applies to property placed in service in taxable years beginning after December 31, 2024.

Sec. 111104. Repeal of revision to de minimis rules for third party network transactions

Current Law: Under current law, third-party settlement organizations issue Form 1099–K to participating payees receiving gross payments exceeding $600 for goods or services, regardless of the number of transactions. A third-party settlement organization is the central organization that has the contractual obligation to make payments to participating payees (generally, a merchant or business) in a third-party payment network. The change in reporting thresholds was supposed to take effect following the American Rescue Plan of 2021 (ARPA). However, due to delays in implementation, for the 2024 tax year, third-party settlement organizations must issue a Form 1099–K for payees receiving gross payments exceeding $5,000 for goods or services, regardless of the number of transactions. This threshold decreases to $2,500 for 2025 and is set to drop to $600 for 2026 and beyond, as originally mandated by ARPA, though the IRS has repeatedly delayed full implementation.

Provision: This provision modifies requirements for third-party settlement organizations to eliminate their reporting requirement with respect to the transactions of their participating payees unless they have earned more than $20,000 on more than 200 separate transactions in an applicable tax period. This reverses the ARPA

provision that lowered the reporting threshold to $600 with no minimum on the number of transactions.

Sec. 111105. Increase in threshold for requiring information reporting with respect to certain payees

Current Law: Under current law, the reporting threshold for payments by a business for services performed by an independent contractor or subcontractor and for certain other payments is generally $600. In some cases, the reporting threshold is based on payments made during the taxable year.

Provision: This provision generally increases the threshold to $2,000 and adjusts it for inflation for taxable year beginning after December 31, 2024. The new threshold is based on payments during the calendar year. This provision applies to payments made after December 31, 2024.

Sec. 111106. Repeal of excise tax on indoor tanning services

Current Law: Under current law, there is a 10 percent excise tax on amounts paid for indoor tanning services. Indoor tanning services include any services employing any electronic product designed to incorporate one or more ultraviolet lamps, intended for irradiation of an individual by ultraviolet radiation (wavelengths between 200 and 400 nanometers) to induce skin tanning.

Provision: This provision repeals the excise tax on indoor tanning services effective on the date of enactment.

Sec. 111107. Exclusion of interest on loans secured by rural or agricultural real property

Current Law: Not applicable.

Provision: This provision allows for a partial exclusion of interest on certain loans secured by rural or agricultural real estate. Specifically, it allows for the exclusion of 25 percent of interest received by a qualified lender on any qualified real estate loan.

A "qualified lender" means (1) any bank or savings association the deposits of which are insured under the Federal Deposit Insurance Act, (2) any state- or federally-regulated insurance company, (3) certain U.S. bank subsidiaries, (4) certain U.S. insurance subsidiaries, and (5) with respect to certain loans, any federally chartered instrumentality of the U.S. established under Section 8.1(a) of the Farm Credit Act of 1971.

A "qualified real estate loan" means any loan that meets the following requirements: (1) the loan is secured by rural or agricultural real estate, or by a leasehold mortgage (with a status as a lien) on rural or agricultural real estate, (2) the loan is not made to certain foreign entities of concern, and (3) the loan is made after the date of enactment and before January 1, 2029.

"Rural or agricultural real estate" means (1) any real property which is substantially used for the production of one or more agricultural products, (2) any real property which is substantially used in the trade or business of fishing or seafood processing, or (3) certain aquaculture facilities. This term does not include any property not located in the U.S. or a U.S. territory.

Sec. 111108. Treatment of certain qualified sound recording productions

Current Law: Under current law, under IRC section 168(k), taxpayers are generally permitted to expense a percentage of qualified property in the taxable year that the property is placed in service. Additionally, under IRC section 181, taxpayers are permitted to expense the certain costs of film, television, and live theatrical productions in the taxable year such costs are incurred, in the case of productions commencing before January 1, 2026.

Provision: This provision will increase taxpayers' ability to expense certain costs of producing sound recordings. Specifically, it would make qualified sound recording productions placed in service before January 1, 2029, eligible for expensing under IRC section 168(k). It would also allow taxpayers to expense up to $150,000 (per taxable year) of costs of qualified sound recording productions under IRC section 181. A "qualified sound recording production" is a sound recording produced and recorded in the U.S.

Sec. 111109. Modifications to low-income housing credit

Current Law: Under current law, to receive the Low-Income Housing Tax Credit (LIHTC), a building must either receive a credit allocation from the state housing finance authority or be bond-financed. For the credit, Congress sets the per capita allocation amount on a yearly basis. For 2023, each state received a $2.75 per capita allocation. For projects that are bond-financed, at least 50 percent of the aggregate basis of the building and land must be financed with bonds that are subject to a state's private activity bond volume cap. Additionally, projects can receive a basis boost if they are in "Difficult Development Areas" (DDAs). Generally, DDAs are areas with poverty rates of 25 percent or more or where 50 percent of households have incomes below 60 percent of the area median income.

Provision: This provision makes three changes to the LIHTC program. First, for calendar years 2026 through 2029, the "9% LIHTC" is restored to its 2021 level with a 12.5 percent allocation increase. Second, for the "4% LIHTC", this provision lowers the bond-financing threshold to 25 percent for projects financed by bonds with an issue date before 2030. Last, this provision designates Indian and rural areas as DDAs.

Sec. 111110. Increased gross receipts threshold for small manufacturing businesses

Current Law: Under current law, in general, taxpayers with average annual gross receipts below $25 million (over the prior three taxable years) are permitted to use the cash method of accounting, are exempt from the cap on business interest deductibility, are exempt from the requirement to account for inventories, and are exempt from certain capitalization rules. The $25 million threshold is indexed for inflation and, in 2025, is $31 million.

Provision: This provision increases the gross receipts threshold described above for manufacturing taxpayers from $25 million to $80 million. This change applies to taxable years beginning after December 31, 2025. The $80 million threshold is indexed for inflation and, in 2026, will be approximately $100 million.

To qualify as a "manufacturing taxpayer" a business generally must derive substantially all of its gross receipts (over the prior three taxable years) from the lease, rental, license, sale, exchange, or other disposition of tangible personal property produced or manufactured by the business.

Sec. 111111. Global intangible low-taxed income determined without regard to certain income derived from services performed in the Virgin Islands

Current Law: The global intangible low tax income of U.S. shareholders is included in the income of U.S. persons in the years it is earned. That is the income in excess of a 10 percent deemed income return on qualified businesses assets. Corporations are then allowed a 50 percent "GILTI" deduction so that active income earned offshore is subject to a minimum rate of tax between 10.5 percent and 13.125 percent. A corporation that is organized in a territory is generally treated as a foreign corporation for federal tax purposes.

Provision: This provision would exempt certain income earned in the U.S. Virgin Islands from being considered tested income for the purposes of certain individuals GILTI calculations.

Sec. 111112. Extension and modification of clean fuel production credit

Current Law: Under current law, taxpayers may claim a credit for the production of transportation fuel, including aviation fuel, to the extent it meets certain greenhouse gas emission standards. The value of the credit is an applicable amount per gallon multiplied by an emissions factor. The applicable amounts are $0.20 per gallon for transportation fuel that is not sustainable aviation fuel (nonaviation fuel) and $0.35 per gallon for sustainable aviation fuel, multiplied by five if the taxpayer meets prevailing wage and apprenticeship requirements or exceptions. This credit applies for fuel sold before January 1, 2028.

Provision: This provision makes certain modifications to the clean fuel production credit. The provision requires the credit is only available to fuel produced from feedstocks produced or grown in the U.S. The provision excludes indirect land use changes for the purposes of lifecycle greenhouse gas emissions. This provision extends the credit through December 31, 2031. It requires the Secretary of the Treasury to establish distinct emission rates for specific manure feedstocks. The provision eliminates transferability for fuel produced after December 31, 2027. The provision eliminates transferability for fuel produced after December 31, 2027.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.
2. No credit is allowed for taxable years that begin two years after enactment for a foreign-influenced entity.

PART 3—INVESTING IN THE HEALTH OF RURAL AMERICA AND MAIN STREET

Sec. 111201. Expanding the definition of rural emergency hospital under the Medicare program

Current Law: Under current law, only certain hospitals that were enrolled in Medicare as of December 27, 2020, are eligible to convert to the Rural Emergency Hospital (REH) designation.

Provision: This provision establishes a "look-back" from January 1, 2014, to December 26, 2020, such that qualifying rural hospitals open during that time, but have since closed, may reopen under the REH designation. Such hospitals that are located less than 35 miles from the nearest hospital, Critical Access Hospital (CAH), or REH are not eligible for the five percent increase on outpatient payments. Such facilities that are located less than 10 miles from the nearest hospital, CAH, or REH are not eligible for the REH facility fee.

SUBTITLE C—MAKE AMERICA WIN AGAIN

PART 1—WORKING FAMILIES OVER ELITES

Sec. 112001. Termination of previously-owned clean vehicle credit

Current Law: Under current law, taxpayers may claim a tax credit for previously-owned clean vehicles. The credit is worth the lesser of $4,000 or 30 percent of the sale price and is limited to incomes of $75,000 for single filers, $112,500 for head of household filers, and $150,000 for joint filers. The credit is set to expire December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025.

Sec. 112002. Termination of clean vehicle credit

Current Law: Under current law, taxpayers may claim a tax credit of up to $7,500 for clean new vehicles placed in service in a given taxable year. The maximum credit is comprised of two equal parts: the first $3,750 credit value is determined based on the critical mineral sourcing of the vehicle's battery and the second $3,750 credit value is determined based on the sourcing of the battery components. The credit is limited to incomes of $150,000 for single filers, $225,000 for head of household filers, and $300,000 for joint filers. The credit is available to vans with a Manufacturer's Suggested Retail Price (MSRP) of $80,000, SUVs with a MSRP of $80,000, pickup trucks with a MSRP of $80,000, and other vehicles with a MSRP of $55,000. The credit is set to expire December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025. This provision also implements a special rule for taxable year 2026 that only allows vehicles produced by manufacturers that have not sold 200,000 new clean vehicles as of December 31, 2025, to qualify for the credit.

Sec. 112003. Termination of qualified commercial clean vehicles credit

Current Law: Under current law, taxpayers may claim a tax credit for commercial clean vehicles placed in service in a taxable year. For vehicles weighing less than 14,000 pounds the credit value is $7,500 and for other vehicles the credit value is $40,000. The credit is set to expire December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025. This provision also implements a special rule allowing vehicles acquired pursuant to a written binding contract entered into before May 12, 2025 to qualify for the credit.

Sec. 112004. Termination of alternative fuel vehicle refueling property credit

Current Law: Under current law, taxpayers may claim a tax credit for advanced refueling property placed in service in a given taxable year. The credit value is 30 percent of the cost of the property not exceeding $100,000. The credit expires December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025.

Sec. 112005. Termination of energy efficient home improvement credit

Current Law: Under current law, taxpayers may claim a tax credit for household energy efficient improvements. The value of the credit is 30 percent of qualified energy efficient improvements, residential energy property, or home energy audits not exceeding $1,200 annually ($2,000 if for heat pumps and biomass stoves). The credit expires December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025.

Sec. 112006. Termination of residential clean energy credit

Current Law: Under current law, taxpayers may claim a credit for residential expenditures for solar electric property, solar water heating property, fuel cell property, small wind energy property, geothermal heat pump property, and battery storage property. The value of the credit is 30 percent of the expenditures through December 31, 2032, 26 percent of expenditures in taxable year 2033, and 22 percent expenditures in taxable year 2034.

Provision: This provision accelerates the expiration to December 31, 2025.

Sec. 112007. Termination of new energy efficient home credit

Current Law: Under current law, contractors may claim a credit for homes built that meet certain Energy Star standards. Homes that are considered Zero Energy Ready are eligible for a $5,000 credit and homes certified at a lower energy efficient level are eligible for a credit of either $2,500 or $1,000. The credit expires December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025. This provision includes a special rule allowing homes that

have commenced construction before May 12, 2025 to qualify for the credit if they are acquired by December 31, 2026.

Sec. 112008. Phase-out and restrictions on clean electricity production credit

Current Law: Under current law, taxpayers may claim a credit for electricity produced and sold by a qualifying facility. For the purposes of this section, a "qualified facility" is one that is determined to have greenhouse gas emissions less than zero. The value of the credit is 0.3 cents per kilowatt-hour (kWh) generally or 1.5 cents per kWh if a taxpayer meets prevailing wage and apprenticeship requirements or exceptions in constructing, repairing, or altering the qualified facility. The credit applies for 10 years after a qualified facility is placed in service. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. This credit currently has no expiration.

Provision: This provision phases out the clean electricity production credit. There is a 20 percent credit reduction for facilities placed in service in calendar year 2029, a 40 percent reduction for facilities placed in service in calendar year 2030, a 60 percent reduction for facilities placed in service in calendar year 2031 and zero credit available after December 31, 2031. Transferability is repealed for facilities where construction begins two years after the date of enactment of this bill.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for a facility that commences construction a year after enactment of this bill that includes any material assistance from a prohibited foreign entity;
2. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity;
3. No credit is allowed for tax years that begin two years after the date of enactment for foreign influence entities or if the taxpayer makes fixed, determinable, annual, or periodic (FDAP) amount payments to a prohibited foreign entity that are more than five percent of total expenditures related to the credit generating activity or 15 percent in aggregate.

This provision also includes the definitions of several terms related to prohibited foreign entities:

Specified Foreign Entity: Foreign entities of concern as described in the William M. (Mac) Thornberry National Defense Authorization Act of FY 2021, Chinese Military companies operating in the U.S., any entity on a list required by the strategy to enforce prohibition on imported goods made through forced labor in the Xinjiang Uyghur autonomous region, an entity listed as ineligible for Department of Defense battery acquisition in the National Defense Authorization Act of FY 2024, or a foreign-controlled entity.

Foreign-Controlled Entity: The government of a covered nation (the Democratic People's Republic of North Korea; the People's Republic of China; the Russian Federation; and the Islamic Republic of Iran), a person who is a citizen, national or resident of a covered nation provided the person is not a U.S. citizen or lawful permanent resident, an entity or qualified business unit incorporated or

organized under the laws of or having its principal place of business in a covered nation, or an entity controlled by any of the listed foreign controlled entities.

Foreign-Influenced Entity: An entity which during the taxable year—a specified foreign entity has the direct or indirect authority to appoint a covered officer, a single foreign entity owns at least 10 percent of such entity, one or more specified foreign entities own in the aggregate at least 25 percent of such entity, at least 25 percent of the debt of such entity is held in the aggregate by one or more specified foreign entities, the entity knowingly makes FDAP payments to a specified foreign entity an amount equal to 10 percent of the annual gross receipts of the entity for the previous taxable year, or makes aggregate FDAP payments to one or more specified foreign entities of at least 25 percent of the annual FDAP payments of the entity for such previous tax year.

Material Assistance from a Prohibited Foreign Entity: Any component, subcomponent, or critical mineral included in such property is extracted, processed, recycled, manufactured, or assembled but a prohibited foreign entity, or any design of such property was based on any copyright or patent held by a prohibited foreign entity or any know-how or trade secret provided by a prohibited foreign entity. Not including assembly parts or constituent materials that are not uniquely designed for the use in construction of a facility and not exclusively or predominantly produced by prohibited foreign entities.

Sec. 112009. Phase-out and restrictions on clean electricity investment credit

Current Law: Under current law, there is a credit for qualified investment in an electricity facility or energy storage technology. For the purposes of this section, a "qualified facility" is one that is determined to have greenhouse gas emissions less than zero. The value of the credit generally is six percent of qualified investment increased to 30 percent if a taxpayer meets prevailing wage and apprenticeship requirements or exceptions. To the extent a taxpayer does not have the tax liability to absorb a credit the credits are eligible to be transferred to an unrelated taxpayer. This credit currently has no expiration.

Provision: This provision phases out the clean electricity investment credit. There is a 20 percent credit reduction for facilities placed in service in calendar year 2029, a 40 percent reduction for facilities placed in service in calendar year 2030, a 60 percent reduction for facilities placed in service in calendar year 2031, and zero credit available after December 31, 2031. Transferability is repealed for facilities which construction begins two years after the date of enactment of this bill. This provision restricts access to the credit for certain prohibited foreign entities.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for a facility that commences construction a year after enactment of this bill that includes any material assistance from a prohibited foreign entity;

2. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity;

3. No credit is allowed for tax years that begin two years after the date of enactment for foreign influence entities or if the taxpayer makes fixed, determinable, annual, or periodic (FDAP) amount payments to a prohibited foreign entity that are more than five percent of total expenditures related to the credit generating activity or 15 percent in aggregate.

Sec. 112010. Repeal of transferability of clean fuel production credit

Current Law: To the extent a taxpayer does not have the tax liability to absorb a credit the clean fuel production credits are eligible to be transferred to an unrelated taxpayer.

Provision: The provision eliminates transferability for fuel produced after December 31, 2027.

Sec. 112011. Restrictions on carbon oxide sequestration credit

Current Law: Under current law, taxpayers may claim a credit available per metric ton of qualified carbon oxide captured and disposed of or used by a taxpayer. In a given tax year beginning after December 31, 2016 and before January 1, 2027, the value of the credit is $17 per metric ton if the carbon oxide is utilized as a tertiary injectant and disposed of in secure geological storage, and $12 per metric ton if the taxpayer utilizes the carbon oxide by fixing it through photosynthesis or chemosynthesis, chemically converting it to securely store it, or for another purpose for which a commercial market exists and for the 12-year period after the equipment is placed in service.

For direct air capture facilities placed in service after December 31, 2022, the value is $36 per metric ton if the carbon oxide is utilized as a tertiary injectant and disposed of in secure geological storage, and $26 per metric ton if the taxpayer utilizes the carbon oxide by fixing it through photosynthesis or chemosynthesis, chemically converting it to securely store it, or for another purpose for which a commercial market exists. The credit amounts are indexed for inflation beginning after December 31, 2026. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. The credit currently applies to qualified facilities that commence construction before January 1, 2033.

Provision: This provision repeals transferability for carbon capture equipment where construction begins two years after the date of enactment of this bill.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.

2. No credit is allowed for tax years that begin two years after date of enactment for a foreign-influenced entity.

Sec. 112012. Phase-out and restrictions on zero-emission nuclear power production credit

Current Law: Under current law, there is a credit available for electricity produced by existing nuclear power plans. The value of

the credit is 0.3 cents per kilowatt-hour (kWh) generally or 1.5 cents per kWh if a taxpayer meets prevailing wage and apprenticeship requirements or exceptions in constructing, repairing, or altering the qualified facility. The credit gradually reduces as power prices rise above a $25 per megawatt hour (MWh) index. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. The credit expires December 31, 2032.

Provision: This provision phases out the zero-emission nuclear power production credit. There is a 20 percent credit reduction for electricity produced in calendar year 2029, a 40 percent reduction for electricity produced in calendar year 2030, a 60 percent reduction for electricity produced in calendar year 2031 and no credit available after December 31, 2031. The provision eliminates transferability for fuel produced after December 31, 2027.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.
2. No credit is allowed for tax years that begin two years after date of enactment for a foreign-influenced entity.

Sec. 112013. Termination of clean hydrogen production credit

Current Law: Under current law, taxpayers may claim a credit per kilogram of qualified clean hydrogen produced for sale or use. The credit applies for the 10-year period from the date the facility is originally placed in service. The value of the credit is a percentage of $0.60, ranging from 20 percent to 100 percent depending on the greenhouse gas emissions rate of the production process. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. The credit is currently available for facilities that commence construction before January 1, 2033.

Provision: This provision accelerates the expiration to facilities the construction of which begins after December 31, 2025.

Sec. 112014. Phase-out and restrictions on advanced manufacturing production credit

Current Law: Under current law, taxpayers may claim a credit for certain inverters, solar energy components, wind energy components, and battery components manufactured, and critical minerals produced. Credit amounts very by component and are listed in the code section. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. Currently for components sold during calendar year 2030 there is a 25 percent reduction to the credit, for components sold during calendar year 2031 a 50 percent reduction, for components sold during calendar year 2032 a 75 percent reduction, and no credit allowed after December 31, 2032, except for the credit for critical mineral production which is permanent.

Provision: This provision makes modifications to the advanced manufacturing tax credit and accelerates its termination. The provision eliminates wind energy components sold after December 31,

2027, and eliminates the credit for all other components after December 31, 2031. Transferability is repealed for components sold after December 31, 2027. This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for "components manufactured" a year after enactment of this bill that includes any material assistance from a prohibited foreign entity;

2. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity;

3. No credit is allowed for tax years that begin two years after the date of enactment for foreign influence entities or if the taxpayer makes fixed, determinable, annual, or periodic (FDAP) amount payments to a prohibited foreign entity that are more than five percent of total expenditures related to the credit generating activity or 15 percent in aggregate; or

4. is produced subject to a licensing agreement with a prohibited foreign entity for which the value of such agreement is in excess of $1,000,000 beginning in tax years two years after the date of enactment of this bill.

Sec. 112015. Phase-out of credit for certain energy property

Current Law: Under current law, most technologies that were previously eligible for the IRC section 48 energy tax credit terminated after December 31, 2024, but geothermal heat pumps that begin construction before January 1, 2035, are still eligible for the section 48 investment tax credit.

Provision: This provision aligns the expiration of the investment tax credit for geothermal heat pumps with the clean electricity investment tax credit. There is a 20 percent credit reduction for facilities placed in service in calendar year 2029, a 40 percent reduction for facilities placed in service in calendar year 2030, a 60 percent reduction for facilities placed in service in calendar year 2031 and no credit available after December 31, 2031.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.

2. No credit is allowed for tax years that begin two years after date of enactment for a foreign-influenced entity.

Sec. 112016. Income from hydrogen storage, carbon capture added to qualifying income of certain publicly traded partnerships treated as corporations

Current Law: Under current law, publicly traded partnership rules allow certain enterprises to be treated as partnerships for tax purposes but also have interests that are regularly traded on established securities markets or are readily tradable on a secondary market. To qualify for this treatment 90 percent of gross income must come from qualifying income sources. One of those sources is the income and gains derived from exploration, development, mining, or production, processing, refining, transportation, or the marketing of any mineral or natural resources, industrial source carbon dioxide, or the transportation or storage of specified fuels.

Provision: This provision expands the activities that can be categorized as qualifying income to include the transportation or storage of liquified hydrogen or compressed hydrogen, and the generation of electricity or capture of carbon dioxide at a direct air capture or carbon capture facility.

Sec. 112017. Limitation on amortization of certain sports franchises

Current Law: Under current law, when a taxpayer acquires intangible assets held in connection with a trade or business, the adjusted basis of an "amortizable section 197 intangible" can be amortized on a straight-line basis over 15 years. Such intangibles include goodwill, franchise value, employment contracts, and several other items.

Provision: This provision limits amortization deductions for certain sports-related intangibles. Specifically, under this provision, a taxpayer that acquires a specified sports franchise intangible would only be permitted under IRC section 197 to amortize 50 percent of the adjusted basis. A "specified sports franchise intangible" is any amortizable section 197 intangible which (1) is a franchise to engage in professional football, basketball, baseball, hockey, soccer, or other professional sport, or (2) is acquired in connection with such a franchise. This change would apply to property acquired after the date of enactment.

Sec. 112018. Limitation on individual deductions for certain State and local taxes, etc.

Current Law: Under current law, in the case of an individual, the itemized deduction for state and local taxes is capped at $10,000 ($5,000 for a married taxpayer filing a separate return) (the "SALT cap"). In general, income taxes paid or accrued in carrying on a trade or business or an income-producing activity are subject to the SALT cap. The SALT cap is set to expire for taxable years beginning after December 31, 2025.

Provision: This provision would increase the SALT cap to $30,000 ($15,000 for a married taxpayer filing a separate return). In the case of a taxpayer with modified adjusted gross income (MAGI) over $400,000 ($200,000 for a married taxpayer filing a separate return), the cap would phase down by 20 percent of the excess of MAGI over the threshold until it reaches $10,000 ($5,000 for a married taxpayer filing a separate return). This provision would extend the SALT cap permanently for taxable years beginning after December 31, 2025.

This provision also includes several changes to prevent the avoidance of the SALT cap. Generally, this provision clarifies and modifies the list of taxes subject to the SALT cap ("specified taxes"); provides that certain payments that substitute for specified taxes are also subject to the SALT cap; requires partnerships and S corporations to treat specified taxes as separately stated items; imposes an addition to tax in certain cases where a partnership makes a state or local tax payment, one or more partners receives a state or local tax benefit, and the allocation of the tax payment differs from the allocation of the tax benefit; prevents the capital-

ization of specified taxes; and grants the Secretary of the Treasury regulatory authority to prevent avoidance of the SALT cap.

Sec. 112019. Excessive employee renumeration from controlled group members and allocation of deduction

Current Law: Under current law, publicly held corporations are denied a tax deduction for compensation paid to certain covered employees (typically the CEO, CFO, and the next three highest-paid officers) exceeding $1 million per year. The *Tax Cuts and Jobs Act* expanded the scope by eliminating the performance-based compensation exception and including more entities, like certain publicly traded partnerships, as covered corporations. The limitation applies to taxable years beginning after December 31, 2017. ARPA expanded the definition of "covered employees" to include the five highest-compensated employees beyond the CEO, CFO, and three highest-paid officers, effective for tax years beginning after December 31, 2026. Unlike the original covered employees, these additional five are not subject to the "once covered, always covered" rule and are determined annually based on deductible compensation.

Provision: This provision applies aggregation rules for the purposes of the deduction limitation and allocation of deduction applied under IRC section 162(m) as it relates to certain excessive employee remuneration.

Sec. 112020. Expanding application of tax on excess compensation within tax-exempt organizations.

Current Law: Under current law, IRC section 4960 imposes an excise tax on excess compensation paid to certain highly compensated employees by applicable tax-exempt organizations. The excise tax rate is equal to the corporate tax rate multiplied by the sum of (1) any remuneration in excess of $1 million paid to a covered employee for a taxable year, and (2) any excess parachute payment paid to a covered employee.

Provision: This provision strikes the text following "means any employee (including any former employee) of an applicable tax-exempt organization" from the definition of "Covered Employee" under IRC section 4960(c)(2). As a result, a covered employee includes any employee of an applicable tax-exempt organization that receives remuneration in excess of $1 million.

Sec. 112021. Modification of excise tax on investment income of certain private colleges and universities

Current Law: Under current law, IRC section 4968 imposes an excise tax on an applicable educational institution for each taxable year equal to 1.4 percent of the net investment income of the institution for the taxable year.

Provision: This provision amends the current excise tax on net investment income framework for certain private colleges and universities under IRC section 4968 with a tiered system based on an institution's student-adjusted endowment (see table below). For purposes of calculating an institution's student-adjusted endowment, this section amends such calculation by excluding students who do not meet the requirements under Section 484(a)(5) of the

Higher Education Act of 1965. This section also provides an exemption from being considered an applicable educational institution, provided the institution meets certain requirements related to being a qualified religious institution. Additionally, this section includes student loan interest income and certain royalty income for the purposes of calculating a school's net investment income.

Student-Adjusted Endowment	Excise Tax Rate
$500,000–$749,999	1.4% (current rate)
$750,000–$1,249,999	7%
$1,250,000–$1,999,999	14%
$2,000,000+	21%

Sec. 112022. Increase in rate of tax on net investment income of certain private foundations

Current Law: Under current law, all private foundations that are exempt from taxation under IRC section 501(a) are subject to an excise tax equal to 1.39 percent of the net investment income of such foundation for the taxable year.

Provision: This provision amends the current excise tax on net investment income framework for tax-exempt private foundations under IRC section 4940(a) with a tiered system that maintains the current excise tax rate for private foundations with less than $50 million in total assets but applies higher excise tax rates on private foundations reporting $50 million or more in total assets (see table below).

Size of Private Foundation (in assets)	Excise Tax Rate
$0–$49,999,999	1.39% (current rate)
$50,000,000–$249,999,999	2.78%
$250,000,000–$4,999,999,999	5%
$5,000,000,000+	10%

Sec. 112023. Certain purchases of employee-owned stock disregarded for purposes of foundation tax on excess business holdings

Current Law: Under current law, the combined holdings of private foundations and all of its disqualified persons are limited to 20 percent of the voting stock in a business enterprise that is a corporation. Holdings in excess of the holding percentage are subject to a 10 percent excise tax, which is increased to 200 percent if the holdings are not reduced by the end of the taxable year.

Provision: This provision amends IRC section 4943 and states that shares of stock repurchased by a company from a retiring employee who participated in the company's Employee Stock Ownership Plan are treated as outstanding for purposes of calculating the share of that company owned by a private foundation.

Sec. 112024. Unrelated business taxable income increased by amount of certain fringe benefit expenses for which deduction is disallowed

Current Law: Under current law, the amount paid or incurred for any qualified transportation fringe benefit is exempt from unrelated business taxable income.

Provision: This provision amends IRC section 512 to increase the unrelated business taxable income of a tax-exempt organization by including the amount paid or incurred for any qualified transportation fringe benefit.

Sec. 112025. Name and logo royalties treated as unrelated business taxable income

Current Law: Under current law, the income from the sale or licensing by an organization of its name or logo is exempt from unrelated business taxable income.

Provision: This provision amends IRC sections 512 and 513 to increase the unrelated business taxable income of a tax-exempt organization by including the income from any sale or licensing by an organization of its name or logo.

Sec. 112026. Exclusion of research income limited to publicly available research

Current Law: Under current law, all income from research performed by a nonprofit organization whose primary purpose is to carry on research that is freely available to the public, including income from private research, is exempt from unrelated business taxable income.

Provision: This provision amends IRC section 512 to increase the unrelated business taxable income of a tax-exempt organization by including the income generated from non-public research for an organization whose tax-exempt purpose is to provide publicly available research as unrelated business income.

Sec. 112027. Limitation on excess business losses of noncorporate taxpayers

Current Law: Under current law, in the case of a noncorporate taxpayer, for taxable years beginning before January 1, 2029, no deduction is allowed for an excess business loss. An "excess business loss" is the amount by which the deductions (excluding net operating losses and qualified business income deductions) attributable to trades or businesses of the taxpayer exceed the income from such trades or businesses plus $313,000 for tax years beginning in 2025 ($626,000 for a taxpayer filing jointly with a spouse) and is adjusted for inflation. A disallowed excess business loss is generally treated as a net operating loss and may be carried over and used in another tax year.

Provision: This provision makes the limitation on excess business losses by noncorporate taxpayers permanent. The provision also provides that excess business losses disallowed in taxable years beginning after December 31, 2024, are taken into account in determining a taxpayer's excess business losses in subsequent taxable years.

Sec. 112028. 1-percent floor on deduction of charitable contributions made by corporations

Current Law: Under current law, corporate taxpayers are generally allowed a deduction for charitable contributions up to a limitation equal to 10 percent of taxable income.

Provision: This provision establishes a fioor equal to one percent of taxable income for the deductibility of corporate charitable contributions. In the case of a corporation with charitable contributions exceeding the 10 percent limit, the provision allows taxpayers to add the amount disallowed under the one percent fioor to the amount carried over to the subsequent year.

Sec. 112029. Enforcement of remedies against unfair foreign taxes

Current Law: Not applicable.

Provision: This provision provides a response to certain unfair taxes, which include both discriminatory and extraterritorial taxes imposed on U.S. persons (or certain foreign entities owned by U.S. persons) by a foreign government. The provision applies a delayed effective date to allow time for negotiations and provides discretion for the Secretary of the Treasury to expand or narrow the definition of unfair taxes. The provision requires the Secretary of the Treasury to provide a list unfair taxes to aid withholding agents, who are permitted to rely on the published list in determining appropriate withholding rates and are granted relief from penalties and interest with respect to errors until January 1, 2027, if they demonstrate best efforts were made at compliance.

The provision responds to unfair taxes by increasing the rate of tax generally applicable to certain taxpayers connected to the foreign jurisdiction. Affected taxpayers generally include the foreign government, resident individuals, resident corporations, resident foreign private foundations, and entities owned by such persons. The increases apply to certain income, withholding, and excise taxes imposed on non-residents. The rate of tax-imposed increases from the rates otherwise applicable under current law in five percent increments for each year the unfair tax is imposed, until either the unfair tax is removed or the tax reaches a maximum amount equal to the relevant statutory rate plus 20 percent.

The provision also applies to certain domestic entities that are owned by a tax resident of a foreign jurisdiction that imposes an unfair tax. These domestic entities are subject to certain modifications to the base erosion anti-abuse tax (BEAT) that expands the scope of entities subject to the minimum tax, increases the applicable rate, reduces the benefits of certain credits, and expands the taxable base to include certain payments that are currently excluded.

Sec. 112030. Reduction of excise tax on firearms silencers

Current Law: Under current law, a "silencer" is defined as a "firearm" (under Section 921 of title 18, U.S. Code) for purposes of the *National Firearms Act* and is subject to a $200 transfer tax.

Provision: This provision eliminates the transfer tax on silencers.

Sec. 112031. Modifications to de minimis entry privilege for commercial shipments

Current Law: Under current law, Section 321 of the *Tariff Act of 1930* generally allows shipments bound for American businesses and consumers valued under $800 to enter the U.S. free of duties and taxes.

Provision: This provision, effective July 1, 2027, repeals the de minimis privilege worldwide, which currently allows shipments under $800 to enter the U.S. duty-free. This section also increases penalties for violators of Section 321 of the *Tariff Act of 1930*.

Sec. 112032. Limitation on drawback of taxes paid with respect to substituted merchandise.

Current Law: Under current law, importers can claim a refund of excise taxes on imported tobacco products upon exportation of substitutable goods, even if excise tax was never paid on those substitute goods

Provision: This provision limits the drawback of excise tax for tobacco products to scenarios in which excise tax has been paid on the exported goods that are used as the basis for the drawback claim.

PART 2—REMOVING TAXPAYER BENEFITS FOR ILLEGAL IMMIGRANTS

Sec. 112101. Permitting premium tax credit only for certain individuals

Current Law: Current law allows individuals who are "lawfully present" in the U.S. to receive premium tax credits to purchase health insurance on the Exchange. Lawful presence is defined through rulemaking to include most immigration statuses.

Provision: This provision would eliminate premium tax credit eligibility for illegal immigrants and only allow eligibility for Lawful Permanent Residents, certain Cuban immigrants, and individuals living in the United States through a Compact of Free Association.

Sec. 112102. Certain aliens treated as ineligible for premium tax credit

Current Law: Current law allows individuals who are "lawfully present" in the U.S. to receive premium tax credits to purchase health insurance on the Exchange. Lawful presence is defined through rulemaking to include most immigration statuses.

Provision: This provision prohibits individuals with immigration status granted by asylum (or pending an asylum application), parole, temporary protected status, deferred enforced departure, and withholding of removal from receiving premium tax credits.

Sec. 112103. Disallowing premium tax credit during periods of Medicaid ineligibility due to alien status

Current Law: Current law limits premium tax credit eligibility to an individual who reports income above 100 percent of the federal poverty level and who is an alien "lawfully present" in the U.S. An exception allows such aliens who report income below 100 percent of the federal poverty level and are in their five-year Medicaid

waiting period (due to immigration status) to receive premium tax credits to purchase health insurance on the Exchange.

Provision: This provision strikes this loophole.

Sec. 112104. Limiting Medicare coverage of certain individuals

Current Law: Under current law, individuals who are "lawfully present" in the U.S. and meet Medicare's standard eligibility requirements are generally allowed to enroll in Medicare.

Provision: This provision would eliminate Medicare eligibility for illegal immigrants and only allow eligibility for Lawful Permanent Residents, certain Cuban immigrants, and individuals living in the United States through a Compact of Free Association.

Sec. 112105. Excise tax on remittance transfers

Current Law: Not applicable.

Provision: This provision imposes a five percent excise tax on remittance transfers which will be paid for by the sender with respect to such transfers. The provision requires that the tax be collected by the remittance transfer providers and the remittance transfer providers are responsible for remitting such tax quarterly to the Secretary of the Treasury. The provision also makes it clear that remittance transfer providers have secondary liability for any tax that is not paid at the time that the transfer is made. The provision also creates an exception for remittance transfers that are sent by verified U.S. citizens or U.S. nationals by way of qualified remittance transfer providers. "Qualified remittance transfer providers" are defined as remittance transfer providers that enter into a written agreement with the Secretary of the Treasury to verify the remittance transfer senders as U.S. citizens or U.S. nationals. The provision also provides a refundable tax credit for any excise taxes required to be paid by taxpayers with valid Social Security numbers. Lastly, the provision also has an anti-conduit rule.

Sec. 112106. Social Security number requirement for American opportunity and lifetime learning credits

Current Law: Under current law, a student, taxpayer, or spouse must have a valid taxpayer identification number (TIN) issued or applied for on or before the due date of the return (including extensions) in order to claim the American Opportunity Tax Credit (AOTC) and/or Lifetime Learning Credit (LLC). A TIN is a Social Security number (SSN), an individual taxpayer identification number (ITIN), or an adoption taxpayer identification number (ATIN). The AOTC and/or LLC cannot be claimed if the TIN is issued after the due date of the return (including extensions).

Provision: This provision adds requirements for the student and taxpayer (if filing on behalf of the student) to include their SSN on their tax return in order to receive either the AOTC or LLC under IRC section 25A.

PART 3—PREVENTING FRAUD, WASTE, AND ABUSE

Sec. 112201. Requiring Exchange verification of eligibility for health plan

Current Law: Under current law, Exchanges take steps to verify applicants' eligibility for coverage and premium tax credits. However, in some circumstances applicants may be passively re-enrolled in coverage (and receive premium tax credits) without updating verification.

Provision: This provision prohibits an individual from claiming the premium tax credit if the individual's eligibility related to income, enrollment, and other requirements is not actively verified annually.

Sec. 112202. Disallowing premium tax credit in case of certain coverage enrolled in during special enrollment period

Current Law: Under current law, the Centers for Medicare and Medicaid Services (CMS) has provided for a continuous special enrollment period available to individuals with a projected annual household income no greater than 150 percent of the federal poverty line.

Provision: This provision prohibits individuals from receiving premium tax credits if they enroll in health coverage on the Exchange through a special enrollment period associated with their income.

Sec. 112203. Eliminating limitation on recapture of advance payment of premium tax credit

Current Law: Under current law, there is a limit on the amount of excess premium tax credit certain individuals must repay if they misestimate their projected income and benefit from a more generous advance payment of the tax credit than they qualified for.

Provision: This provision removes the repayment limits and requires affected individuals to reimburse the IRS for the full amount of excess tax credit received.

Sec. 112204. Implementing artificial intelligence tools for purposes of reducing and recouping improper payments under Medicare

Current Law: Not applicable.

Provision: This provision provides $25 million for the Secretary of Health and Human Services to contract with artificial intelligence contractors and data scientists to examine Medicare improper payments and recoup overpayments. Additionally, the Secretary is required to report to Congress on progress on decreasing the number of Medicare improper payments.

Sec. 112205. Enforcement provisions with respect to COVID-related employee retention credits

Current Law: Under current law, assessable penalties are imposed on promoters of tax shelters or abusive transactions. One such penalty is based on aiding and abetting the understatement of tax liability, if the person knows that an understatement of the

tax liability of another person would result. Separately, paid tax return preparers are subject to a penalty of $500 for each failure to comply with due diligence requirements relating to the filing status and amount of certain credits with respect to a taxpayer's return or claim for refund.

Provision: This provision increases the penalty for aiding and abetting the understatement of a tax liability by a COVID employee retention tax credit (ERTC) promoter. The provision makes clear that the pre-enactment standard for applying the aiding and abetting penalty remains unchanged despite the targeted increase in the amount of the penalty that applies solely to ERTC promoters.

This section also requires a COVID–ERTC promoter to comply with due diligence requirements with respect to a taxpayer's eligibility for (or the amount of) an ERTC and applies a $1,000 penalty for each failure to comply. Under current law, taxpayers can claim COVID-related ERTC until April 15, 2025. This section bars the IRS from issuing any additional unpaid claims, unless a claim for such credit or refund was filed on or before January 31, 2024.

Sec. 112206. Earned income tax credit reforms

Current Law: Under current law, a taxpayer can qualify for the earned income tax credit (EITC) if they (1) have earned income, (2) have a valid Social Security number (SSN), (3) be a U.S. citizen or resident alien all year, (4) not file Form 2555, (5) meet income and investment limits, and (6) file as single, head of household, qualifying surviving spouse, or married filing jointly. The IRS may audit an EITC claim or deny all or part of the credit if there are errors on a tax return. The most common error taxpayers claim is (1) that the child does not qualify, (2) more than one person claimed the child, (3) the SSN or last names do not match, (4) the taxpayer is married but filed as single head of household, and (5) over or underreporting income or expenses. Consequently, the IRS issues duplicative claims and the EITC has a high rate of improper payments.

Provision: This provision establishes a phased system for the IRS to detect and manage duplicate EITC claims. Beginning in 2024, if there is a duplicate claim, the IRS will send both claimants a notice stating that the child's SSN was used twice. The following year, the IRS will hold refunds until October 15 and use its math error authority to correct any duplicative claims by eliminating the claimed child and processing the remainder of the claims. Claimants can obtain a refund if they respond to the math error notice and provide evidence of eligibility. After the initial two years, this section provides for a pre-certification process that will reduce erroneous payments without delaying refunds.

This provision also creates a task force to provide the Secretary of Treasury a report on recommendations for improvement of the integrity of the administration of the EITC, the potential use of third-party payroll and consumption datasets to verify income, and the integration of automated databases to allow horizontal verification to reduce improper payments, fraud, and abuse.

Finally, this provision provides Purple Heart recipients whose Social Security disability insurance benefits were terminated due to

returning to work with an additional EITC amount equivalent to one year of the lost disability insurance benefits.

Sec. 112207. Task force on the termination of Direct File

Current Law: Under current law, the IRS may prepare and files tax returns online, for free, to qualifying taxpayers in 25 participating states (Direct File program). In addition, the IRS offers a Free File program where a number of tax preparation and filing software industry companies provide their online tax preparation and filing for free.

Provision: This provision terminates the current Direct File program at the IRS and establishes a public-private partnership between the IRS and private sector tax preparation services to offer free tax filing, replacing both the existing Direct File and Free File programs.

Sec. 112208. Postponement of tax deadlines for hostages and individuals wrongfully detained abroad

Current Law: Under current law, neither the provision on service in a combat zone nor the rules on disaster relief address persons who fail to meet a tax filing or payment deadline that arises while they are unlawfully or wrongfully detained abroad.

Provision: This provision directs the IRS to disregard the time during which an applicable individual is held hostage or wrongfully detained abroad for purposes of determining whether a taxpayer filed their return, paid income tax, filed a claim for a credit or refund of any tax, or committed other acts described in Section 7508(a)(1) within the required timeframe, and for purposes of determining the amount of interest or penalty owed, or amount of any credit or refund. Additionally, this section requires the Secretary of the Treasury to establish a program to allow any applicable individual to apply for a refund or abatement of any amount to the extent such amount was attributable to the time during which the taxpayer was held hostage or unlawfully detained abroad.

Sec. 112209. Termination of tax-exempt status of terrorist supporting organizations

Current Law: Under current law, the IRS generally only issues a letter revoking recognition of an organization's tax-exempt status after (1) conducting an examination of the organization; (2) issuing a letter to the organization proposing revocation; and (3) allowing the organization to exhaust the administrative appeal rights that follow the issuance of the proposed revocation letter.

Provision: This provision grants the Secretary of the Treasury authority to suspend the tax-exempt status of any tax-exempt organization that, during the three years prior to designation, provided more than a minor amount of material support or resources to a listed terrorist organization. The provision allows suspensions to be lifted only when the supported terrorist organization is de-listed as a terrorist organization, but the Treasury Department's ability to suspend tax-exempt status is subject to a robust set of procedural and due process protections, including notice requirements and an opportunity to challenge the designation.

Sec. 112210. Increase in penalties for unauthorized disclosures of taxpayer information

Current Law: Under current law, the maximum fine for unauthorized disclosure of taxpayer information is $5,000. The maximum term of imprisonment upon conviction of a Section 7213 violation is five years. Additionally, under current law, a willful unauthorized disclosure involving the returns or return information of multiple taxpayers is unclear.

Provision: This provision increases the specified maximum fine in IRC section 7513 to $250,000 and the maximum term of imprisonment to 10 years. This section also clarifies that a separate violation occurs with respect to each such taxpayer whose return or return information is disclosed, upon the willful unauthorized disclosure involving the returns or return information of multiple taxpayers.

Sec. 112211. Restriction on regulation of contingency fees with respect to tax returns, etc.

Current Law: Not applicable.

Provision: This provision restricts the Treasury Department from regulating, prohibiting, or restricting the use of contingency fees in connection with tax returns, refunds, or documentation with tax returns for refunds prepared on behalf of taxpayers.

SUBTITLE D—INCREASE IN DEBT LIMIT

Sec. 113001. Modification of limitation on the public debt

Current Law: The current statutory debt limit was established on January 2, 2025, following a debt limit suspension period that ran through January 1, 2025.

Provision: This provision increases the statutory debt limit by $4 trillion.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

Clause 3(e) of rule XIII of the Rules of the House of Representatives requires that each report of a committee on a bill or joint resolution contain the text of statutes that are proposed to be repealed and a comparative print of that part of the bill proposed to be amended whenever the bill repeals or amends any statute. The Committee advises that compliance prior to consideration was not possible.

VIEWS OF COMMITTEE MEMBERS

Clause 2(c) of rule XIII of the Rules of the House of Representatives requires each report by a committee on a public matter to include any additional, minority, supplemental, or dissenting views submitted pursuant to clause 2(l) of rule XI by one or more members of the committee. In addition, this report includes views from members of committees submitting reconciliation recommendations pursuant to Title II of H. Con. Res. 14 under the appropriate titles of this report. The Minority Views of members of the Committee on the Budget are as follows:

MINORITY VIEWS

BIG BILL FOR BILLIONAIRES

The measure before us today is a big bill for billionaires, and every Democratic Member voted no.

It is the biggest tax cut for billionaires in American history, paid for by throwing 13.7 million Americans off their health care coverage. That's not a subjective claim, just this week the non-partisan Congressional Budget Office confirmed that at least 13.7 million Americans will lose their healthcare if the GOP bill for billionaires becomes law. That is bad economics. It is unconscionable. And it is morally wrong.

Throughout this debate, Republican after Republican said they must pass this bill, otherwise the tax cuts won't be extended for the American people. But that's a disingenuous argument, and Democrats in the Ways and Means Committee proved it. Democrats offered amendment after amendment to protect the tax cuts for every single American making less than $1 billion. Those who make a billion dollars a year or more are less than 0.001 percent of the American people. Even on an amendment, which all Democrats supported, that would have left in place the tax cuts for at least 99.999 percent of the American people, every Republican voted against it. This bill is delivering the biggest bounty of tax cuts for multimillionaires and billionaires in American history, paid for on the backs of the poor and the working poor and the middle class in this country.

In a recent poll, 81 percent of Americans said they do not support cutting Medicaid to pay for tax cuts. A majority of Democrats, a majority of independents, and even a majority of Republicans said they oppose this radical agenda.

This will do real damage to the American people. Republicans have been on a 15-year quest to repeal Obamacare. In this piece of legislation, they will come closer to their ultimate goal than ever before. Of the 13.7 million Americans who will lose their health care if this bill passes, about half are a result of decimating the Affordable Care Act. Eight years ago, House Republicans passed an ACA repeal, but a few brave Senators stood up and gave it a famous thumbs down. We hope House Republicans will join with us now to protect the health care of millions of Americans and say no to the big bill for billionaires.

Sincerely,

BRENDAN F. BOYLE,
Ranking Member.
ROBERT C. "BOBBY" SCOTT,
JIMMY PANETTA,
STACEY E. PLASKETT,
ILHAN OMAR,
MARCY KAPTUR,
LLOYD DOGGETT,
SCOTT H. PETERS,
BONNIE WATSON COLEMAN,
VERONICA ESCOBAR,
BECCA BALINT,
PRAMILA JAYAPAL,

JUDY CHU,
MORGAN MCGARVEY,
PAUL D. TONKO,
GABE AMO,
Members of Congress.

○

A BILL

To provide for reconciliation pursuant to title II of H. Con. Res. 14.

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 "One Big Beautiful Bill Act".

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

TITLE VIII—COMMITTEE ON NATURAL RESOURCES

Subtitle A—Energy and Mineral Resources

PART I—OIL AND GAS

PART II—GEOTHERMAL

PART III—ALASKA

PART IV—MINING

PART V—COAL

PART VI—NEPA

PART VII—MISCELLANEOUS

PART VIII—OFFSHORE OIL AND GAS LEASING

PART IX—RENEWABLE ENERGY

Subtitle B—Water, Wildlife, and Fisheries

Subtitle C—Federal Lands

TITLE I—COMMITTEE ON AGRICULTURE

Subtitle A—Nutrition

SEC. 10001. THRIFTY FOOD PLAN.

Section 3(u) of the Food and Nutrition Act of 2008 (7 U.S.C. 2012(u)) is amended to read as follows:

"(u)(1) 'Thrifty food plan' means the diet required to feed a family of 4 persons consisting of a man and a woman 20 through 50, a child 6 through 8, and a child 9 through 11 years of age, based on relevant market baskets that shall only be changed pursuant to paragraph (3). The cost of such diet shall be the basis for uniform allotments for all households regardless of their actual composition. The Secretary shall only adjust the cost of the diet as specified in paragraphs (2) and (4).

"(2) HOUSEHOLD ADJUSTMENTS.—The Secretary shall make household-size adjustments based on the following ratios of household size as a percentage of the maximum 4-person allotment:

"(A) For a 1-person household, 30 percent.

"(B) For a 2-person household, 55 percent.

"(C) For a 3-person household, 79 percent.

"(D) For a 4-person household, 100 percent.

"(E) For a 5-person household, 119 percent.

"(F) For a 6-person household, 143 percent.

"(G) For a 7-person household, 158 percent.

"(H) For an 8-person household, 180 percent.

"(I) For a 9-person household, 203 percent.

"(J) For a 10-person household, 224 percent.

"(K) For households with more than 10 persons, such adjustment for each additional person shall be 224 percent plus the product of 21 percent and the difference in the number of persons in the household and 10.

"(3) REEVALUATION OF MARKET BASKETS.—

"(A) EVALUATION.—Not earlier than October 1, 2028, and at not more frequently than 5-year intervals thereafter, the Secretary may reevaluate the market baskets of the thrifty food plan taking into consideration current food prices, food composition data, consumption patterns, and dietary guidance.

"(B) NOTICE.—Prior to any update of the market baskets of the thrifty food plan based on a reevaluation pursuant to subparagraph (A), the methodology and results of any such revelation shall be published in the Federal Register with an opportunity for comment of not less than 60 days.

"(C) COST NEUTRALITY.—The Secretary shall not increase the cost of the thrifty food plan based on a reevaluation or update under this paragraph.

"(4) ALLOWABLE COST ADJUSTMENTS.—On October 1 immediately following the effective date of this paragraph and on each October 1 thereafter, the Secretary shall—

"(A) adjust the cost of the thrifty food plan to reflect changes in the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor, for the most recent 12-month period ending in June;

"(B) make cost adjustments in the thrifty food plan for urban and rural parts of Hawaii and urban and rural parts of Alaska to reflect the cost of food in urban and rural Hawaii and urban and rural Alaska provided such cost adjustment shall not exceed the rate of increase described in the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor, for the most recent 12-month period ending in June; and

"(C) make cost adjustments in the separate thrifty food plans for Guam and the Virgin Islands of the United States to reflect the cost of food in those States, but not to exceed the cost of food in the 50 States and the District of Columbia, provided that such cost adjustment shall not

exceed the rate of increase described in the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor, for the most recent 12-month period ending in June.".

SEC. 10002. ABLE BODIED ADULTS WITHOUT DEPENDENTS WORK REQUIREMENTS.

(a) Section 6(o)(3) of the Food and Nutrition Act of 2008 is amended to read as follows:

"(3) EXCEPTION.—Paragraph (2) shall not apply to an individual if the individual is—

"(A) under 18 or over 65 years of age;

"(B) medically certified as physically or mentally unfit for employment;

"(C) a parent or other member of a household with responsibility for a dependent child under 7 years of age;

"(D) otherwise exempt under subsection (d)(2);

"(E) a pregnant woman;

"(F) currently homeless;

"(G) a veteran;

"(H) 24 years of age or younger and was in foster care under the responsibility of a State on the date of attaining 18 years of age or such higher age as the State has elected under section 475(8)(B)(iii) of the Social Security Act (42 U.S.C. 675(8)(B)(iii)); or

"(I) responsible for a dependent child 7 years of age or older and is married to, and resides with, an individual who is in compliance with the requirements of paragraph (2).".

(b) SUNSET PROVISION.—The exceptions in subparagraphs (F) through (H) shall cease to have effect on October 1, 2030.

SEC. 10003. ABLE BODIED ADULTS WITHOUT DEPENDENTS WAIVERS.

Section 6(o) of the Food and Nutrition Act of 2008 (7 U.S.C. 2015(o)) is amended—

(1) by amending paragraph (4)(A) to read as follows:

"(A) IN GENERAL.—On the request of a State agency and with the support of the chief executive officer of the State, the Secretary may waive the applicability of paragraph (2) for not more than 12 consecutive months to any group of individuals in the State if the Secretary makes a determination that the county, or county-equivalent (as recognized by the Census Bureau) in which the individuals reside has an unemployment rate of over 10 percent."; and

(2) in paragraph (6)(F) by striking "8 percent" and inserting "1 percent".

SEC. 10004. AVAILABILITY OF STANDARD UTILITY ALLOWANCES BASED ON RECEIPT OF ENERGY ASSISTANCE.

(a) ALLOWANCE TO RECIPIENTS OF ENERGY ASSISTANCE.—

(1) STANDARD UTILITY ALLOWANCE.—Section 5(e)(6)(C)(iv)(I) of the of the Food and Nutrition Act of 2008 (7 U.S.C. 2014(e)(6)(C)(iv)(I)) is amended by inserting "with an elderly or disabled member" after "households".

(2) CONFORMING AMENDMENTS.—Section 2605(f)(2)(A) of the Low-Income Home Energy Assistance Act is amended by in-

serting "received by a household with an elderly or disabled member" before ", consistent with section 5(e)(6)(C)(iv)(I)".

(b) THIRD-PARTY ENERGY ASSISTANCE PAYMENTS.—Section 5(k)(4) of the Food and Nutrition Act of 2008 (7 U.S.C. 2014(k)(4)) is amended—

(1) in subparagraph (A) by inserting "without an elderly or disabled member" after "household" the 1st place it appears; and

(2) in subparagraph (B) by inserting "with an elderly or disabled member" after "household" the 1st place it appears.

SEC. 10005. RESTRICTIONS ON INTERNET EXPENSES.

Section 5(e)(6) of the Food and Nutrition Act of 2008 (7 U.S.C. 2014(e)(6)) is amended by adding at the end the following:

"(E) RESTRICTIONS ON INTERNET EXPENSES.—Service fees associated with internet connection, including, but not limited to, monthly subscriber fees (i.e., the base rate paid by the household each month in order to receive service, which may include high-speed internet), taxes and fees charged to the household by the provider that recur on regular bills, the cost of modem rentals, and fees charged by the provider for initial installation, shall not be used in computing the excess shelter expense deduction.".

SEC. 10006. MATCHING FUNDS REQUIREMENTS.

(a) IN GENERAL.—Section 4(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2013(a)) is amended—

(1) by striking "(a) Subject to" and inserting the following:

"(a) PROGRAM.—

"(1) ESTABLISHMENT.—Subject to"; and

(2) by adding at the end the following:

"(2) MATCHING FUNDS REQUIREMENTS.—

"(A) IN GENERAL.—

"(i) FEDERAL SHARE.—Subject to subparagraph (B), the Federal share of the cost of allotments described in paragraph (1) in a fiscal year shall be—

"(I) for each of fiscal years 2026 and 2027, 100 percent; and

"(II) for fiscal year 2028 and each fiscal year thereafter, 95 percent.

"(ii) STATE SHARE.—Subject to subparagraph (B), the State share of the cost of allotments described in paragraph (1) in a fiscal year shall be—

"(I) for each of fiscal years 2026 and 2027, 0 percent; and

"(II) for fiscal year 2028 and each fiscal year thereafter, 5 percent.

"(B) STATE QUALITY CONTROL INCENTIVE.—Beginning in fiscal year 2028, any State that has a payment error rate, as defined in section 16, for the most recent complete fiscal year for which data is available, of—

"(i) equal to or greater than 6 percent but less than 8 percent, shall have its Federal share of the cost of allotments described in paragraph (1) for the current fiscal

year equal 85 percent, and its State share equal 15 percent;

"(ii) equal to or greater than 8 percent but less than 10 percent, shall have its Federal share of the cost of allotments described in paragraph (1) for the current fiscal year equal 80 percent, and its State share equal 20 percent; and

"(iii) equal to or greater than 10 percent, shall have its Federal share of the cost of allotments described in paragraph (1) for the current fiscal year equal 75 percent, and its State share equal 25 percent.".

(b) RULE OF CONSTRUCTION.—The Secretary of Agriculture may not pay towards the cost of allotments described in paragraph (1) of section 4(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2013(a)), as designated by subsection (a), an amount greater than the applicable Federal share described in paragraph (2) of such section 4(a), as added by subsection (a).

SEC. 10007. ADMINISTRATIVE COST SHARING.

Section 16(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(a)) is amended by striking "50 per centum" and inserting "25 percent".

SEC. 10008. GENERAL WORK REQUIREMENT AGE.

Section 6(d) of the Food and Nutrition Act of 2008 (7 U.S.C. 2015(d)) is amended—

(1) in paragraph (1)(A), in the matter preceding clause (i), by striking "over the age of 15 and under the age of 60" and inserting "over the age of 17 and under the age of 65"; and

(2) in paragraph (2)—

(A) by striking "child under age six" and inserting "child under age seven"; and

(B) by striking "between 1 and 6 years of age" and inserting "between 1 and 7 years of age".

SEC. 10009. NATIONAL ACCURACY CLEARINGHOUSE.

Section 11(x)(2) of the Food and Nutrition Act of 2008 (7 U.S.C. 2020(x)(2)) is amended by adding at the end the following:

"(D) DATA SHARING TO PREVENT OTHER MULTIPLE ISSUANCES.—A State agency shall use each indication of multiple issuance, or each indication that an individual receiving supplemental nutrition assistance program benefits in 1 State has applied to receive supplemental nutrition assistance program benefits in another State, to prevent multiple issuances of other Federal and State assistance program benefits that a State agency administers through the integrated eligibility system that the State uses to administer the supplemental nutrition assistance program in the State.".

SEC. 10010. QUALITY CONTROL ZERO TOLERANCE.

Section 16(c)(1)(A)(ii) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(c)(1)(A)(ii)) is amended—

(1) in subclause (I), by striking "and" at the end;

(2) in subclause (II)—

(A) by striking "fiscal year thereafter" and inserting "of fiscal years 2015 through 2025"; and

(B) by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following:

"(III) for each fiscal year thereafter, $0.".

SEC. 10011. NATIONAL EDUCATION AND OBESITY PREVENTION GRANT PROGRAM REPEALER.

The Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.) is amended by striking section 28 (7 U.S.C. 2036a).

SEC. 10012. ALIEN SNAP ELIGIBILITY.

Section 6(f) of the Food and Nutrition Act of 2008 (7 U.S.C. 2015(f)) is amended—

(1) in the 1st sentence—

(A) by striking "No" and inserting "In addition to the limitations on eligibility in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, no"; and

(B) by striking "; or (C) an alien who entered the United States prior to June 30, 1948, or such subsequent date as is enacted by law, has continuously maintained his or her residence in the United States since then, and is not ineligible for citizenship, but who is deemed to be lawfully admitted for permanent residence as a result of an exercise of discretion by the Attorney General pursuant to section 249 of the Immigration and Nationality Act (8 U.S.C. 1259); or (D) an alien who has qualified for conditional entry pursuant to sections 207 and 208 of the Immigration and Nationality Act (8 U.S.C. 1157 and 1158); or (E) an alien who is lawfully present in the United States as a result of an exercise of discretion by the Attorney General for emergent reasons or reasons deemed strictly in the public interest pursuant to section 212(d)(5) of the Immigration and Nationality Act (8 U.S.C. 1182(d)(5)); or (F) an alien within the United States as to whom the Attorney General has withheld deportation pursuant to section 243 of the Immigration and Nationality Act (8 U.S.C. 1253(h))"; and

(2) in the 2d sentence by striking "clauses (B) through (F)" and inserting "paragraph (2)(B)".

SEC. 10012. EMERGENCY FOOD ASSISTANCE.

Section 203D(d)(5) of the Emergency Food Assistance Act of 1983 (7 U.S.C. 7507(d)(5)) is amended by striking "2024" and inserting "2031".

Subtitle B—Investment in Rural America

SEC. 10101. SAFETY NET.

(a) REFERENCE PRICE.—Section 1111(19) of the Agricultural Act of 2014 (7 U.S.C. 9011(19)) is amended to read as follows:

"(19) REFERENCE PRICE.—

"(A) IN GENERAL.—Subject to subparagraphs (B) and (C), the term 'reference price', with respect to a covered commodity for a crop year, means the following:

"(i) For wheat, $6.35 per bushel.

"(ii) For corn, $4.10 per bushel.

"(iii) For grain sorghum, $4.40 per bushel.

"(iv) For barley, $5.45 per bushel.

"(v) For oats, $2.65 per bushel.

"(vi) For long grain rice, $16.90 per hundredweight.

"(vii) For medium grain rice, $16.90 per hundredweight.

"(viii) For soybeans, $10.00 per bushel.

"(ix) For other oilseeds, $23.75 per hundredweight.

"(x) For peanuts, $630.00 per ton.

"(xi) For dry peas, $13.10 per hundredweight.

"(xii) For lentils, $23.75 per hundredweight.

"(xiii) For small chickpeas, $22.65 per hundredweight.

"(xiv) For large chickpeas, $25.65 per hundredweight.

"(xv) For seed cotton, $0.42 per pound.

"(B) EFFECTIVENESS.—Effective beginning with the 2031 crop year, the reference prices defined in subparagraph (A) with respect to a covered commodity shall equal the reference price in the previous crop year multiplied by 1.005.

"(C) LIMITATION.—In no case shall a reference price for a covered commodity exceed 115 percent of the reference price for such covered commodity listed in subparagraph (A).".

(b) BASE ACRES.—Section 1112 of the Agricultural Act of 2014 (7 U.S.C. 9012) is amended—

(1) in subsection (d)(3)(A), by striking "2023" and inserting "2031"; and

(2) by adding at the end the following:

"(e) ADDITIONAL BASE ACRES.—

"(1) IN GENERAL.—As soon as practicable after the date of enactment of this subsection, and notwithstanding subsection (a), the Secretary shall provide notice to owners of eligible farms pursuant to paragraph (4) and allocate to those eligible farms a total of not more than an additional 30,000,000 base acres in the manner provided in this subsection.

"(2) CONTENT OF NOTICE.—The notice under paragraph (1) shall include the following:

"(A) Information that the allocation is occurring.

"(B) Information regarding the eligibility of the farm for an allocation of base acres under paragraph (4).

"(C) Information regarding how an owner may appeal a determination of ineligibility for an allocation of base acres under paragraph (4) through an appeals process established by the Secretary.

"(3) OPT-OUT.—An owner of a farm that is eligible to receive an allocation of base acres may elect to not receive that allocation by notifying the Secretary.

"(4) ELIGIBILITY.—

"(A) IN GENERAL.—Subject to subparagraph (D), effective beginning with the 2026 crop year, a farm is eligible to receive an allocation of base acres if, with respect to the farm, the amount described in subparagraph (B) exceeds the amount described in subparagraph (C).

"(B) 5-YEAR AVERAGE SUM.—The amount described in this subparagraph, with respect to a farm, is the sum of—

"(i) the 5-year average of—

"(I) the acreage planted on the farm to all covered commodities for harvest, grazing, haying, silage or other similar purposes for the 2019 through 2023 crop years; and

"(II) any acreage on the farm that the producers were prevented from planting during the 2019 through 2023 crop years to covered commodities because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, as determined by the Secretary; plus

"(ii) the lesser of—

"(I) 15 percent of the total acres on the farm; and

"(II) the 5-year average of—

"(aa) the acreage planted on the farm to eligible noncovered commodities for harvest, grazing, haying, silage, or other similar purposes for the 2019 through 2023 crop years; and

"(bb) any acreage on the farm that the producers were prevented from planting during the 2019 through 2023 crop years to eligible noncovered commodities because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, as determined by the Secretary.

"(C) TOTAL NUMBER OF BASE ACRES FOR COVERED COMMODITIES.—The amount described in this subparagraph, with respect to a farm, is the total number of base acres for covered commodities on the farm (excluding unassigned crop base), as in effect on September 30, 2024.

"(D) EFFECT OF NO RECENT PLANTINGS OF COVERED COMMODITIES.—In the case of a farm for which the amount determined under clause (i) of subparagraph (B) is equal to zero, that farm shall be ineligible to receive an allocation of base acres under this subsection.

"(E) ACREAGE PLANTED ON THE FARM TO ELIGIBLE NONCOVERED COMMODITIES DEFINED.—In this paragraph, the term 'acreage planted on the farm to eligible noncovered commodities' means acreage planted on a farm to commodities other than covered commodities, trees, bushes, vines, grass, or pasture (including cropland that was idle or fallow), as determined by the Secretary.

"(5) NUMBER OF BASE ACRES.—Subject to paragraphs (4) and (7), the number of base acres allocated to an eligible farm shall—

"(A) be equal to the difference obtained by subtracting the amount determined under subparagraph (C) of paragraph (4) from the amount determined under subparagraph (B) of that paragraph; and

"(B) include unassigned crop base.

"(6) ALLOCATION OF ACRES.—

"(A) ALLOCATION.—The Secretary shall allocate the number of base acres under paragraph (5) among those covered commodities planted on the farm at any time during the 2019 through 2023 crop years.

"(B) ALLOCATION FORMULA.—The allocation of additional base acres for covered commodities shall be in proportion to the ratio of—

"(i) the 5-year average of—

"(I) the acreage planted on the farm to each covered commodity for harvest, grazing, haying, silage, or other similar purposes for the 2019 through 2023 crop years; and

"(II) any acreage on the farm that the producers were prevented from planting during the 2019 through 2023 crop years to that covered commodity because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, as determined by the Secretary; to

"(ii) the 5-year average determined under paragraph (4)(B)(i).

"(C) INCLUSION OF ALL 5 YEARS IN AVERAGE.—For the purpose of determining a 5-year acreage average under subparagraph (B) for a farm, the Secretary shall not exclude any crop year in which a covered commodity was not planted.

"(D) TREATMENT OF MULTIPLE PLANTING OR PREVENTED PLANTING.—For the purpose of determining under subparagraph (B) the acreage on a farm that producers planted or were prevented from planting during the 2019 through 2023 crop years to covered commodities, if the acreage that was planted or prevented from being planted was devoted to another covered commodity in the same crop year (other than a covered commodity produced under an established practice of double cropping), the owner may elect the covered commodity to be used for that crop year in determining the 5-year average, but may not include both the initial covered commodity and the subsequent covered commodity.

"(E) LIMITATION.—The allocation of additional base acres among covered commodities on a farm under this paragraph may not result in a total number of base acres for the farm in excess of the total number of acres on the farm.

"(7) REDUCTION BY THE SECRETARY.—In carrying out this subsection, if the total number of eligible acres allocated to base acres across all farms in the United States under this subsection would exceed 30,000,000 acres, the Secretary shall apply an across-the-board, pro-rata reduction to the number of

eligible acres to ensure the number of allocated base acres under this subsection is equal to 30,000,000 acres.

"(8) PAYMENT YIELD.—Beginning with crop year 2026, for the purpose of making price loss coverage payments under section 1116, the Secretary shall establish payment yields to base acres allocated under this subsection equal to—

"(A) the payment yield established on the farm for the applicable covered commodity; and

"(B) if no such payment yield for the applicable covered commodity exists, a payment yield—

"(i) equal to the average payment yield for the covered commodity for the county in which the farm is situated; or

"(ii) determined pursuant to section 1113(c).

"(9) TREATMENT OF NEW OWNERS.—In the case of a farm for which the owner on the date of enactment of this subsection was not the owner for the 2019 through 2023 crop years, the Secretary shall use the planting history of the prior owner or owners of that farm for purposes of determining—

"(A) eligibility under paragraph (4);

"(B) eligible acres under paragraph (5); and

"(C) the allocation of acres under paragraph (6).".

(c) PRODUCER ELECTION.—Section 1115 of the Agricultural Act of 2014 (7 U.S.C. 9015) is amended—

(1) in subsection (a), in the matter preceding paragraph (1) by striking "2023" and inserting "2031"; and

(2) in subsection (c)—

(A) in the matter preceding paragraph (1), by striking "2014 crop year or the 2019 crop year, as applicable" and inserting "2014 crop year, 2019 crop year, or 2026 crop year, as applicable";

(B) in paragraph (1), by striking "2014 crop year or the 2019 crop year, as applicable," and inserting "2014 crop year, 2019 crop year, or 2026 crop year, as applicable,"; and

(C) in paragraph (2)—

(i) in subparagraph (A), by striking "and" at the end;

(ii) in subparagraph (B), by striking the period at the end and inserting "; and"; and

(iii) by adding at the end the following:

"(C) the same coverage for each covered commodity on the farm for the 2026 through 2031 crop years as was applicable for the 2024 crop year.".

(d) PRICE LOSS COVERAGE.—Section 1116 of the Agricultural Act of 2014 (7 U.S.C. 9016) is amended—

(1) in subsection (a)(2), in the matter preceding subparagraph (A), by striking "2023" and inserting "2031";

(2) in subsection (c)(1)(B)—

(A) in the subparagraph heading, by striking "2023" and inserting "2031"; and

(B) in the matter preceding clause (i), by striking "2023" and inserting "2031";

(3) in subsection (d), by striking "2025" and inserting "2031"; and

(4) in subsection (g), by striking "2012 through 2016" each place it appears and inserting "2017 through 2021".

(e) AGRICULTURE RISK COVERAGE.—Section 1117 of the Agricultural Act of 2014 (7 U.S.C. 9017) is amended—

(1) in subsection (a), in the matter preceding paragraph (1), by striking "2023" and inserting "2031";

(2) in subsection (c)—

(A) in paragraph (1), by inserting "for each of the 2014 through 2024 crop years and 90 percent of the benchmark revenue for each of the 2025 through 2031 crop years" before the period at the end;

(B) by striking "2023" each place it appears and inserting "2031"; and

(C) in paragraph (4)(B), in the subparagraph heading, by striking "2023" and inserting "2031";

(3) by amending subsection (d)(1)(B) to read as follows:

"(B)(i) for each of the crop years 2014 through 2024, 10 percent of the benchmark revenue for the crop year applicable under subsection (c); and

"(ii) for each of the crop years 2025 through 2031, 12.5 percent of the benchmark revenue for the crop year applicable under subsection (c).''; and

(4) in subsections (e), (g)(5), and (i)(5), by striking "2023" each place it appears and inserting "2031".

(f) EQUITABLE TREATMENT OF CERTAIN ENTITIES.—

(1) IN GENERAL.—Section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308) is amended—

(A) in subsection (a)—

(i) by redesignating paragraph (5) as paragraph (6); and

(ii) by inserting after paragraph (4) the following:

"(5) QUALIFIED PASS-THROUGH ENTITY.—The term 'qualified pass-through entity' means—

"(A) a partnership (within the meaning of subchapter K of chapter 1 of the Internal Revenue Code of 1986);

"(B) an S corporation (as defined in section 1361 of that Code);

"(C) a limited liability company that does not affirmatively elect to be treated as a corporation; and

"(D) a joint venture or general partnership.";

(B) in subsections (b) and (c), by striking "except a joint venture or general partnership" each place it appears and inserting "except a qualified pass-through entity"; and

(C) in subsection (d), by striking "subtitle B" and all that follows through the end and inserting "title I of the Agricultural Act of 2014.".

(2) ATTRIBUTION OF PAYMENTS.—Section 1001(e)(3)(B)(ii) of the Food Security Act of 1985 (7 U.S.C. 1308(e)(3)(B)(ii)) is amended—

(A) in the clause heading, by striking "JOINT VENTURES AND GENERAL PARTNERSHIPS" and inserting "QUALIFIED PASS-THROUGH ENTITIES";

(B) by striking "a joint venture or a general partnership" and inserting "a qualified pass-through entity";

(C) by striking "joint ventures and general partnerships" and inserting "qualified pass-through entities"; and

(D) by striking "the joint venture or general partnership" and inserting "the qualified pass-through entity".

(3) PERSONS ACTIVELY ENGAGED IN FARMING.—Section 1001A(b)(2) of the Food Security Act of 1985 (7 U.S.C. 1308–1(b)(2)) is amended—

(A) subparagraphs (A) and (B), by striking "in a general partnership, a participant in a joint venture" each place it appears and inserting "a qualified pass-through entity"; and

(B) in subparagraph (C), by striking "a general partnership, joint venture, or similar entity" and inserting "a qualified pass-through entity or a similar entity".

(4) JOINT AND SEVERAL LIABILITY.—Section 1001B(d) of the Food Security Act of 1985 (7 U.S.C. 1308–2(d)) is amended by striking "partnerships and joint ventures" and inserting "qualified pass-through entities".

(5) EXCLUSION FROM AGI CALCULATION.—Section 1001D(d) of the Food Security Act of 1985 (7 U.S.C. 1308–3a(d)) is amended by striking ", general partnership, or joint venture" each place it appears.

(g) PAYMENT LIMITATIONS.—Section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308) is amended—

(1) in subsection (b)—

(A) by striking "The" and inserting "Subject to subsection (i), the"; and

(B) by striking "$125,000" and inserting "$155,000";

(2) in subsection (c)—

(A) by striking "The" and inserting "Subject to subsection (i), the"; and

(B) by striking "$125,000" and inserting "$155,000"; and

(3) by adding at the end the following:

"(i) ADJUSTMENT.—For the 2025 crop year and each crop year thereafter, the Secretary shall annually adjust the amounts described in subsections (b) and (c) for inflation based on the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.".

(h) ADJUSTED GROSS INCOME LIMITATION.—Section 1001D(b) of the Food Security Act of 1985 (7 U.S.C. 1308–3a(b)) is amended—

(1) in paragraph (1), by striking "paragraph (3)" and inserting "paragraphs (3) and (4)"; and

(2) by adding at the end the following:

"(4) EXCEPTION FOR CERTAIN OPERATIONS.—

"(A) DEFINITIONS.—In this paragraph:

"(i) EXCEPTED PAYMENT OR BENEFIT.—The term 'excepted payment or benefit' means—

"(I) a payment or benefit under subtitle E of title I of the Agricultural Act of 2014 (7 U.S.C. 9081 et seq.);

"(II) a payment or benefit under section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333); and

"(III) a payment or benefit described in paragraph (2)(C) received on or after October 1, 2024.

"(ii) FARMING, RANCHING, OR SILVICULTURE ACTIVITIES.—The term 'farming, ranching, or silviculture activities' includes agritourism, direct-to-consumer marketing of agricultural products, the sale of agricultural equipment by a person or legal entity that owns such equipment, and other agriculture-related activities, as determined by the Secretary.

"(B) EXCEPTION.—In the case of an excepted payment or benefit, the limitation established by paragraph (1) shall not apply to a person or legal entity during a crop, fiscal, or program year, as appropriate, if greater than or equal to 75 percent of the average gross income of the person or legal entity derives from farming, ranching, or silviculture activities.".

(i) MARKETING LOANS.—

(1) AVAILABILITY OF NONRECOURSE MARKETING ASSISTANCE LOANS FOR LOAN COMMODITIES.—Section 1201(b)(1) of the Agricultural Act of 2014 (7 U.S.C. 9031(b)(1)) is amended by striking "2023" and inserting "2031".

(2) LOAN RATES FOR NONRECOURSE MARKETING ASSISTANCE LOANS.—Section 1202 of the Agricultural Act of 2014 (7 U.S.C. 9032) is amended—

(A) in subsection (b)—

(i) in the subsection heading, by striking "2023" and inserting "2025"; and

(ii) in the matter preceding paragraph (1), by striking "2023" and inserting "2025";

(B) by redesignating subsection (c) and (d) as subsections (d) and (e), respectively;

(C) by inserting after subsection (b) the following:

"(c) 2026 THROUGH 2031 CROP YEARS.—For purposes of each of the 2026 through 2031 crop years, the loan rate for a marketing assistance loan under section 1201 for a loan commodity shall be equal to the following:

"(1) In the case of wheat, $3.72 per bushel.

"(2) In the case of corn, $2.42 per bushel.

"(3) In the case of grain sorghum, $2.42 per bushel.

"(4) In the case of barley, $2.75 per bushel.

"(5) In the case of oats, $2.20 per bushel.

"(6) In the case of upland cotton, $0.55 per pound.

"(7) In the case of extra long staple cotton, $1.00 per pound.

"(8) In the case of long grain rice, $7.70 per hundredweight.

"(9) In the case of medium grain rice, $7.70 per hundredweight.

"(10) In the case of soybeans, $6.82 per bushel.

"(11) In the case of other oilseeds, $11.10 per hundredweight for each of the following kinds of oilseeds:

"(A) Sunflower seed.

"(B) Rapeseed.

"(C) Canola.

"(D) Safflower.

"(E) Flaxseed.

"(F) Mustard seed.
"(G) Crambe.
"(H) Sesame seed.
"(I) Other oilseeds designated by the Secretary.
"(12) In the case of dry peas, $6.87 per hundredweight.
"(13) In the case of lentils, $14.30 per hundredweight.
"(14) In the case of small chickpeas, $11.00 per hundredweight.
"(15) In the case of large chickpeas, $15.40 per hundredweight.
"(16) In the case of graded wool, $1.60 per pound.
"(17) In the case of nongraded wool, $0.55 per pound.
"(18) In the case of mohair, $5.00 per pound.
"(19) In the case of honey, $1.50 per pound.
"(20) In the case of peanuts, $390 per ton.";

(D) in subsection (d) (as so redesignated), by striking "(a)(11) and (b)(11)" and inserting "(a)(11), (b)(11), and (c)(11)"; and

(E) by amending subsection (e) (as so redesignated) to read as follows:

"(e) SPECIAL RULE FOR SEED COTTON AND CORN.—
"(1) IN GENERAL.—For purposes of section 1116(b)(2) and paragraphs (1)(B)(ii) and (2)(A)(ii)(II) of section 1117(b), the loan rate shall be deemed to equal—
"(A) for seed cotton, $0.30 per pound; and
"(B) for corn, $3.30 per bushel.
"(2) EFFECT.—Nothing in this subsection authorizes any nonrecourse marketing assistance loan under this subtitle for seed cotton.".

(3) PAYMENT OF COTTON STORAGE COSTS.—Section 1204(g) of the Agricultural Act of 2014 (7 U.S.C. 9034(g)) is amended—

(A) by striking "Effective" and inserting the following:
"(1) CROP YEARS 2014 THROUGH 2025.—Effective";

(B) in paragraph (1) (as so designated), by striking "2023" and inserting "2025"; and

(C) by adding at the end the following:
"(2) PAYMENT OF COTTON STORAGE COSTS.—Effective for each of the 2026 through 2031 crop years, the Secretary shall make cotton storage payments for upland cotton and extra long staple cotton available in the same manner as the Secretary provided storage payments for the 2006 crop of upland cotton, except that the payment rate shall be equal to the lesser of—
"(A) the submitted tariff rate for the current marketing year; and
"(B) in the case of storage in—
"(i) California or Arizona, a payment rate of $4.90; and
"(ii) any other State, a payment rate of $3.00.".

(4) LOAN DEFICIENCY PAYMENTS.—

(A) CONTINUATION.—Section 1205(a)(2)(B) of the Agricultural Act of 2014 (7 U.S.C. 9035(a)(2)(B)) is amended by striking "2023" and inserting "2031".

(B) PAYMENTS IN LIEU OF LDPS.—Section 1206 of the Agricultural Act of 2014 (7 U.S.C. 9036) is amended, in sub-

sections (a) and (d), by striking "2023" each place it appears and inserting "2031".

(5) SPECIAL COMPETITIVE PROVISIONS FOR EXTRA LONG STAPLE COTTON.—Section 1208(a) of the Agricultural Act of 2014 (7 U.S.C. 9038(a)) is amended, in the matter preceding paragraph (1), by striking "2026" and inserting "2032".

(6) AVAILABILITY OF RECOURSE LOANS.—Section 1209 of the Agricultural Act of 2014 (7 U.S.C. 9039) is amended, in subsections (a)(2), (b), and (c), by striking "2023" each place it appears and inserting "2031".

(j) REPAYMENT OF MARKETING LOANS.—Section 1204 of the Agricultural Act of 2014 (7 U.S.C. 9034) is amended—

(1) in subsection (b)—

(A) by redesignating paragraph (1) as subparagraph (A) and indenting appropriately;

(B) in the matter preceding subparagraph (A) (as so redesignated), by striking "The Secretary" and inserting the following:

"(1) IN GENERAL.—The Secretary"; and

(C) by striking paragraph (2) and inserting the following:

"(B)(i) in the case of long grain rice and medium grain rice, the prevailing world market price for the commodity, as determined and adjusted by the Secretary in accordance with this section; or

"(ii) in the case of upland cotton, the lowest prevailing world market price for the commodity, as determined and adjusted by the Secretary in accordance with this section, during the 30-day period following the day on which the producer repays the marketing assistance loan.

"(2) REFUND FOR UPLAND COTTON.—In the case of a repayment for a marketing assistance loan for upland cotton at a rate described in paragraph (1)(B)(ii), the Secretary shall provide to the producer a refund (if any) in an amount equal to the difference between the lowest prevailing world market price described in that paragraph and the repayment amount.";

(2) in subsection (c)—

(A) by striking the period at the end and inserting "; and";

(B) by striking "at the loan rate" and inserting the following: "at a rate that is the lesser of—

"(1) the loan rate"; and

(C) by adding at the end the following:

"(2) the prevailing world market price for the commodity, as determined and adjusted by the Secretary in accordance with this section.";

(3) in subsection (d)—

(A) in paragraph (1), by striking "and medium grain rice" and inserting "medium grain rice, and extra long staple cotton";

(B) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively, and indenting appropriately;

(C) in the matter preceding subparagraph (A) (as so redesignated), by striking "For purposes" and inserting the following:

"(1) IN GENERAL.—For purposes"; and

(D) by adding at the end the following:

"(2) UPLAND COTTON.—In the case of upland cotton, for any period when price quotations for Middling (M) 1 3/32-inch cotton are available, the formula under paragraph (1)(A) shall be based on the average of the 3 lowest-priced growths that are quoted."; and

(4) in subsection (e)—

(A) in the subsection heading, by inserting "EXTRA LONG STAPLE COTTON," after "UPLAND COTTON,";

(B) in paragraph (2)—

(i) in the paragraph heading, by inserting "UPLAND" before "COTTON"; and

(ii) in subparagraph (B), in the matter preceding clause (i), by striking "2024" and inserting "2032";

(C) by redesignating paragraph (3) as paragraph (4); and

(D) by inserting after paragraph (2) the following:

"(3) EXTRA LONG STAPLE COTTON.—The prevailing world market price for extra long staple cotton determined under subsection (d)—

"(A) shall be adjusted to United States quality and location, with the adjustment to include the average costs to market the commodity, including average transportation costs, as determined by the Secretary; and

"(B) may be further adjusted, during the period beginning on the date of enactment of this paragraph and ending on July 31, 2032, if the Secretary determines the adjustment is necessary—

"(i) to minimize potential loan forfeitures;

"(ii) to minimize the accumulation of stocks of extra long staple cotton by the Federal Government;

"(iii) to ensure that extra long staple cotton produced in the United States can be marketed freely and competitively, both domestically and internationally; and

"(iv) to ensure an appropriate transition between current-crop and forward-crop price quotations, except that the Secretary may use forward-crop price quotations prior to July 31 of a marketing year only if—

"(I) there are insufficient current-crop price quotations; and

"(II) the forward-crop price quotation is the lowest such quotation available.".

(k) ECONOMIC ADJUSTMENT ASSISTANCE FOR TEXTILE MILLS.—Section 1207(c) of the Agricultural Act of 2014 (7 U.S.C. 9037(c)) is amended by striking paragraph (2) and inserting the following:

"(2) VALUE OF ASSISTANCE.—The value of the assistance provided under paragraph (1) shall be—

"(A) for the period beginning on August 1, 2013, and ending on July 31, 2025, 3 cents per pound; and

"(B) beginning on August 1, 2025, 5 cents per pound.".

(l) SUGAR PROGRAM UPDATES.—

(1) LOAN RATE MODIFICATIONS.—Section 156 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7272) is amended—

(A) in subsection (a)—

(i) in paragraph (4), by striking "and" at the end;

(ii) in paragraph (5), by striking "2023 crop years." and inserting "2024 crop years; and"; and

(iii) by adding at the end the following:

"(6) 24.00 cents per pound for raw cane sugar for each of the 2025 through 2031 crop years.";

(B) in subsection (b)—

(i) in paragraph (1), by striking "and" at the end;

(ii) in paragraph (2), by striking "2023 crop years." and inserting "2024 crop years; and"; and

(iii) by adding at the end the following:

"(3) a rate that is equal to 136.55 percent of the loan rate per pound of raw cane sugar under subsection (a)(6) for each of the 2025 through 2031 crop years."; and

(C) in subsection (i), by striking "2023" and inserting "2031".

(2) ADJUSTMENTS TO COMMODITY CREDIT CORPORATION STORAGE RATES.—Section 167 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7287) is amended—

(A) by striking subsection (a) and inserting the following:

"(a) IN GENERAL.—Notwithstanding any other provision of law, for the 2025 crop year and each subsequent crop year, the Commodity Credit Corporation shall establish rates for the storage of forfeited sugar in an amount that is not less than—

"(1) in the case of refined sugar, 34 cents per hundredweight per month; and

"(2) in the case of raw cane sugar, 27 cents per hundredweight per month."; and

(B) in subsection (b)—

(i) in the subsection heading, by striking "SUBSEQUENT" and inserting "PRIOR"; and

(ii) by striking "and subsequent" and inserting "through 2024".

(3) MODERNIZING BEET SUGAR ALLOTMENTS.—

(A) SUGAR ESTIMATES.—Section 359b(a)(1) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359bb(a)(1)) is amended by striking "2023" and inserting "2031".

(B) ALLOCATION TO PROCESSORS.—Section 359c(g)(2) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359cc(g)(2)) is amended—

(i) by striking "In the case" and inserting the following:

"(A) IN GENERAL.—Except as provided in subparagraph (B), in the case"; and

(ii) by adding at the end the following:

"(B) EXCEPTION.—If the Secretary makes an upward adjustment under paragraph (1)(A), in adjusting allocations

among beet sugar processors, the Secretary shall give priority to beet sugar processors with available sugar.".

(C) TIMING OF REASSIGNMENT.—Section 359e(b)(2) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359ee(b)(2)) is amended—

(i) by redesignating subparagraphs (A) through (C) as clauses (i) through (iii), respectively, and indenting appropriately;

(ii) in the matter preceding clause (i) (as so redesignated), by striking "If the Secretary determines that a sugar beet processor who has been allocated a share of the beet sugar allotment will be unable to market that allocation" and inserting the following:

"(A) IN GENERAL.—If the Secretary determines that a sugar beet processor who has been allocated a share of the beet sugar allotment for the crop year will be unable to market that allocation"; and

(iii) by adding at the end the following:

"(B) TIMING.—In carrying out subparagraph (A), the Secretary shall—

"(i) make an initial determination following the publication of the World Agricultural Supply and Demand Estimates (in this subparagraph referred to as 'WASDE') approved by the World Agricultural Outlook Board for the month of January that is applicable to the crop year for which a determination under subparagraph (A) is made; and

"(ii) provide for an initial reassignment under subparagraph (A)(i) not later than 30 days after the date of the announcement of such WASDE.".

(4) REALLOCATIONS OF TARIFF-RATE QUOTA SHORTFALL.—Section 359k of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359kk) is amended by adding at the end the following:

"(c) REALLOCATION.—

"(1) INITIAL REALLOCATION.—Subject to paragraph (3), following the establishment of the tariff-rate quotas under subsection (a) for a quota year, the United States Trade Representative, in consultation with the Secretary, shall—

"(A) determine which countries do not intend to fulfill their allocation for the quota year; and

"(B) reallocate any forecasted shortfall in the fulfillment of the tariff-rate quotas as soon as practicable.

"(2) SUBSEQUENT REALLOCATION.—Subject to paragraph (3), not later than March 1 of a quota year, the United States Trade Representative, in consultation with the Secretary, shall reallocate any additional forecasted shortfall in the fulfillment of the tariff-rate quotas for raw cane sugar established under subsection (a)(1) for that quota year.

"(3) CESSATION OF EFFECTIVENESS.—Paragraphs (1) and (2) shall cease to be in effect if—

"(A) the Agreement Suspending the Countervailing Duty Investigation on Sugar from Mexico, signed December 19, 2014, is terminated; and

"(B) no countervailing duty order under subtitle A of title VII of the Tariff Act of 1930 (19 U.S.C. 1671 et seq.) is in effect with respect to sugar from Mexico.

"(d) REFINED SUGAR.—

"(1) DEFINITION OF DOMESTIC SUGAR INDUSTRY.—In this subsection, the term 'domestic sugar industry' means domestic—

"(A) sugar beet producers and processors;

"(B) producers and processors of sugar cane; and

"(C) refiners of raw cane sugar.

"(2) STUDY REQUIRED.—

"(A) IN GENERAL.—Not later than 180 days after the date of enactment of this subsection, the Secretary shall conduct a study on whether the establishment of additional terms and conditions with respect to refined sugar imports is necessary and appropriate.

"(B) ELEMENTS.—In conducting the study under subparagraph (A), the Secretary shall examine the following:

"(i) The need for—

"(I) defining 'refined sugar' as having a minimum polarization of 99.8 degrees or higher;

"(II) establishing a standard for color- or reflectance-based units for refined sugar such as those utilized by the International Commission of Uniform Methods of Sugar Analysis;

"(III) prescribing specifications for packaging type for refined sugar;

"(IV) prescribing specifications for transportation modes for refined sugar;

"(V) requiring affidavits or other evidence that sugar imported as refined sugar will not undergo further refining in the United States;

"(VI) prescribing appropriate terms and conditions to avoid the circumvention of Federal laws relating to any sugar imports; and

"(VII) establishing other definitions, terms and conditions, or other requirements.

"(ii) The potential impact of modifications described in each of subclauses (I) through (VII) of clause (i) on the domestic sugar industry.

"(iii) Whether, based on the needs described in clause (i) and the impact described in clause (ii), the establishment of additional terms and conditions is appropriate.

"(C) CONSULTATION.—In conducting the study under subparagraph (A), the Secretary shall consult with representatives of the domestic sugar industry, users of refined sugar, and relevant State and Federal agencies.

"(D) REPORT.—Not later than 1 year after the date of enactment of this subsection, the Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that describes the findings of the study conducted under subparagraph (A).

"(3) ESTABLISHMENT OF ADDITIONAL TERMS AND CONDITIONS PERMITTED.—

"(A) IN GENERAL.—Based on the findings in the report submitted under paragraph (2)(D), and after providing notice to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Secretary may issue regulations in accordance with subparagraph (B) to establish additional terms and conditions with respect to refined sugar imports that are necessary and appropriate.

"(B) PROMULGATION OF REGULATIONS.—The Secretary may issue regulations under subparagraph (A) if the regulations—

"(i) do not have an adverse impact on the domestic sugar industry; and

"(ii) are consistent with the requirements of this part, section 156 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7272), and obligations under international trade agreements that have been approved by Congress.".

(5) CLARIFICATION OF TARIFF-RATE QUOTA ADJUSTMENTS.—Section 359k(b)(1) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359kk(b)(1)) is amended, in the matter preceding subparagraph (A)—

(A) by striking "Before" and inserting "Notwithstanding any other provision of law, before"; and

(B) by striking "if there is an" and inserting "for the sole purpose of responding directly to an".

(6) PERIOD OF EFFECTIVENESS.—Section 359l(a) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1359ll(a)) is amended by striking "2023" and inserting "2031".

(m) DAIRY POLICY UPDATES.—

(1) DAIRY MARGIN COVERAGE PRODUCTION HISTORY.—

(A) DEFINITION.—Section 1401(8) of the Agricultural Act of 2014 (7 U.S.C. 9051(8)) is amended by striking "when the participating dairy operation first registers to participate in dairy margin coverage".

(B) PRODUCTION HISTORY OF PARTICIPATING DAIRY OPERATIONS.—Section 1405 of the Agricultural Act of 2014 (7 U.S.C. 9055) is amended—

(i) by amending subsection (a) to read as follows:

"(a) PRODUCTION HISTORY.—Except as provided in subsection (b), the production history of a dairy operation for dairy margin coverage is equal to the highest annual milk marketings of the participating dairy operation during any one of the 2021, 2022, or 2023 calendar years."; and

(ii) by amending subsection (b) to read as follows:

"(b) ELECTION BY NEW DAIRY OPERATIONS.—In the case of a participating dairy operation that has been in operation for less than a year, the participating dairy operation shall elect 1 of the following methods for the Secretary to determine the production history of the participating dairy operation:

"(1) The volume of the actual milk marketings for the months the participating dairy operation has been in operation extrapolated to a yearly amount.

"(2) An estimate of the actual milk marketings of the participating dairy operation based on the herd size of the participating dairy operation relative to the national rolling herd average data published by the Secretary.".

(2) DAIRY MARGIN COVERAGE PAYMENTS.—Section 1406(a)(1)(C) of the Agricultural Act of 2014 (7 U.S.C. 9056(a)(1)(C)) is amended by striking "5,000,000" and inserting "6,000,000" each place it appears.

(3) PREMIUMS FOR DAIRY MARGINS.—

(A) TIER I.—Section 1407(b) of the Agricultural Act of 2014 (7 U.S.C. 9057(b)) is amended—

(i) in the heading, by striking "5,000,000" and inserting "6,000,000"; and

(ii) in paragraph (1), by striking "5,000,000" and inserting "6,000,000".

(B) TIER II.—Section 1407(c) of the Agricultural Act of 2014 (7 U.S.C. 9057(c)) is amended—

(i) in the heading, by striking "5,000,000" and inserting "6,000,000"; and

(ii) in paragraph (1), by striking "5,000,000" and inserting "6,000,000".

(C) PREMIUM DISCOUNTS.—Section 1407(g) of the Agricultural Act of 2014 (7 U.S.C. 9057(g)) is amended—

(i) in paragraph (1)—

(I) by striking "2019 through 2023" and inserting "2026 through 2031"; and

(II) by striking "January 2019" and inserting "January 2026"; and

(ii) in paragraph (2), by striking "2023" each place it appears and inserting "2031".

(4) DURATION.—Section 1409 of the Agricultural Act of 2014 (7 U.S.C. 9059) is amended by striking "2025" and inserting "2031".

(n) SUSPENSION OF PERMANENT PRICE SUPPORT AUTHORITY.—Section 1602 of the Agricultural Act of 2014 (7 U.S.C. 9092) is amended by striking "2023" each place it appears and inserting "2031".

(o) IMPLEMENTATION.—Section 1614(c) of the Agricultural Act of 2014 (7 U.S.C. 9097(c)) is amended by adding at the end the following:

"(5) FISCAL YEAR 2025 RECONCILIATION.—The Secretary shall make available to the Farm Service Agency to carry out section 10101 of the Act titled 'An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14', and the amendments made by that section, $50,000,000, to remain available until expended, of which—

"(A) not less than $5,000,000 shall be used to carry out paragraphs (3) and (4) of subsection (b);

"(B) $3,000,000 shall be used for activities described in paragraph (3)(A) of this subsection;

"(C) $3,000,000 shall be used for activities described in paragraph (3)(B) of this subsection; and

"(D) $10,000,000 shall be used to—

"(i) carry out mandatory surveys of dairy production cost and product yield information to be reported by manufacturers required to report under section 273 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1637b), for all products processed in the same facility or facilities; and

"(ii) publish the results of such surveys biennially.".

(p) LIVESTOCK SAFETY NET UPDATES.—

(1) IN GENERAL.—Section 1501(b) of the Agricultural Act of 2014 (7 U.S.C. 9081(b)) is amended—

(A) by amending paragraph (2) to read as follows:

"(2) PAYMENT RATES.—

"(A) LOSSES DUE TO PREDATION.—Indemnity payments to an eligible producer on a farm under paragraph (1)(A) shall be made at a rate of 100 percent of the market value of the affected livestock on the applicable date, as determined by the Secretary.

"(B) LOSSES DUE TO ADVERSE WEATHER OR DISEASE.—Indemnity payments to an eligible producer on a farm under subparagraph (B) or (C) of paragraph (1) shall be made at a rate of 75 percent of the market value of the affected livestock on the applicable date, as determined by the Secretary.

"(C) DETERMINATION OF MARKET VALUE.—In determining the market value described in subparagraphs (A) and (B), the Secretary may consider the ability of eligible producers to document regional price premiums for affected livestock that exceed the national average market price for those livestock.

"(D) APPLICABLE DATE DEFINED.—In this paragraph, the term 'applicable date' means, with respect to livestock, as applicable—

"(i) the day before the date of death of the livestock; or

"(ii) the day before the date of the event that caused the harm to the livestock that resulted in a reduced sale price."; and

(B) by adding at the end the following:

"(5) ADDITIONAL PAYMENT FOR UNBORN LIVESTOCK.—

"(A) IN GENERAL.—In the case of unborn livestock death losses incurred on or after January 1, 2024, the Secretary shall make an additional payment to eligible producers on farms that have incurred such losses in excess of the normal mortality due to a condition specified in paragraph (1).

"(B) PAYMENT RATE.—Additional payments under subparagraph (A) shall be made at a rate—

"(i) determined by the Secretary; and

"(ii) less than or equal to 85 percent of the payment rate established with respect to the lowest weight class of the livestock, as determined by the Secretary,

acting through the Administrator of the Farm Service Agency.

"(C) PAYMENT AMOUNT.—The amount of a payment to an eligible producer that has incurred unborn livestock death losses shall be equal to the payment rate determined under subparagraph (B) multiplied, in the case of livestock described in—

"(i) subparagraph (A), (B), or (F) of subsection (a)(4), by 1;

"(ii) subparagraph (D) of such subsection, by 2;

"(iii) subparagraph (E) of such subsection, by 12; and

"(iv) subparagraph (G) of such subsection, by the average number of birthed animals (for one gestation cycle) for the species of each such livestock, as determined by the Secretary.

"(D) UNBORN LIVESTOCK DEATH LOSSES DEFINED.—In this paragraph, the term 'unborn livestock death losses' means losses of any livestock described in subparagraph (A), (B), (D), (E), (F), or (G) of subsection (a)(4) that was gestating on the date of the death of the livestock.".

(2) LIVESTOCK FORAGE DISASTER PROGRAM.—Section 1501(c)(3)(D)(ii)(I) of the Agricultural Act of 2014 (7 U.S.C. 9081(c)(3)(D)(ii)(I)) is amended—

(A) by striking "1 monthly payment" and inserting "2 monthly payments"; and

(B) by striking "county for at least 8 consecutive" and inserting the following: "county for not less than—

"(aa) 4 consecutive weeks during the normal grazing period for the county, as determined by the Secretary, shall be eligible to receive assistance under this paragraph in an amount equal to 1 monthly payment using the monthly payment rate determined under subparagraph (B); or

"(bb) any of the 7 of the previous 8 consecutive".

(3) EMERGENCY ASSISTANCE FOR LIVESTOCK, HONEY BEES, AND FARM-RAISED FISH.—Section 1501(d) of the Agricultural Act of 2014 (7 U.S.C. 9081(d)) is amended by adding at the end the following:

"(5) ASSISTANCE FOR LOSSES DUE TO BIRD DEPREDATION.—

"(A) PAYMENTS.—Eligible producers on a farm of farm-raised fish, including fish grown as food for human consumption, shall be eligible to receive payments under this subsection to aid in the reduction of losses due to piscivorous birds.

"(B) PAYMENT RATE.—

"(i) IN GENERAL.—The payment rate for payments under subparagraph (B) shall be determined by the Secretary, taking into account—

"(I) costs associated with the deterrence of piscivorous birds;

"(II) the value of lost fish and revenue due to bird depredation; and

"(III) costs associated with disease loss from bird depredation.

"(ii) MINIMUM RATE.—The payment rate for payments under subparagraph (B) shall be not less than $600 per acre of farm-raised fish.

"(C) PAYMENT AMOUNT.—The amount of a payment under subparagraph (B) shall be the product obtained by multiplying—

"(i) the applicable payment rate under subparagraph (C); and

"(ii) 85 percent of the total number of acres of farm-raised fish farms that the eligible producer has in production for the calendar year.".

(4) TREE ASSISTANCE PROGRAM.—Section 1501(e) of the Agricultural Act of 2014 (7 U.S.C. 9081(e)) is amended—

(A) in paragraph (2)(B), by striking "15 percent (adjusted for normal mortality)" and inserting "normal mortality"; and

(B) in paragraph (3)—

(i) in subparagraph (A)(i), by striking "15 percent mortality (adjusted for normal mortality)" and inserting "normal mortality"; and

(ii) in subparagraph (B)—

(I) by striking "50" and inserting "65"; and

(II) by striking "15 percent damage or mortality (adjusted for normal tree damage and mortality)" and inserting "normal tree damage or mortality".

(q) EMERGENCY ASSISTANCE FOR HONEYBEES.—In determining honeybee colony losses eligible for assistance under section 1501(d) of the Agricultural Act of 2014 (7 U.S.C. 9081(d)), the Secretary shall utilize a normal mortality rate of 15 percent.

(r) BEGINNING AND VETERAN FARMER AND RANCHER BENEFIT.—

(1) DEFINITIONS.—

(A) IN GENERAL.—Section 502(b) of the Federal Crop Insurance Act (7 U.S.C. 1502(b)) is amended—

(i) in paragraph (3), by striking "5" and inserting "10"; and

(ii) in paragraph (14)(B)—

(I) in clause (i), by adding "or" at the end after the semicolon;

(II) in clause (ii), by striking "5 years; or" and inserting "10 years."; and

(III) in clause (iii), by striking "5-year" and inserting "10-year".

(B) CONFORMING AMENDMENT.—Section 522(c)(7) of the Federal Crop Insurance Act (7 U.S.C. 1522(c)(7)) is amended by striking subparagraph (F).

(2) INCREASE IN ASSISTANCE.—Section 508(e)(8) of the Federal Crop Insurance Act (7 U.S.C. 1508(e)(8)) is amended—

(A) by striking "Notwithstanding" and inserting the following:

"(A) IN GENERAL.—Notwithstanding";

(B) in subparagraph (A) (as so designated), by striking "is 10 percentage points greater than" and inserting "is the number of percentage points specified in subparagraph (B) greater than"; and

(C) by adding at the end the following:

"(B) PERCENTAGE POINTS ADJUSTMENTS.—The percentage points referred to in subparagraph (A) are the following:

"(i) For each of the first and second reinsurance years that a beginning farmer or rancher or veteran farmer or rancher participates as a beginning farmer or rancher or veteran farmer or rancher, respectively, in the applicable policy or plan of insurance, 15 percentage points.

"(ii) For the third reinsurance year that a beginning farmer or rancher or veteran farmer or rancher participates as a beginning farmer or rancher or veteran farmer or rancher, respectively, in the applicable policy or plan of insurance, 13 percentage points.

"(iii) For the fourth reinsurance year that a beginning farmer or rancher or veteran farmer or rancher participates as a beginning farmer or rancher or veteran farmer or rancher, respectively, in the applicable policy or plan of insurance, 11 percentage points.

"(iv) For each of the fifth through tenth reinsurance years that a beginning farmer or rancher or veteran farmer or rancher participates as a beginning farmer or rancher or veteran farmer or rancher, respectively, in the applicable policy or plan of insurance, 10 percentage points.".

(s) AREA-BASED CROP INSURANCE COVERAGE AND AFFORDABILITY.—

(1) COVERAGE LEVEL.—Section 508(c)(4) of the Federal Crop Insurance Act (7 U.S.C. 1508(c)(4)) is amended—

(A) by amending subparagraph (A)(ii) to read as follows:

"(ii) may be purchased at any level not to exceed—

"(I) in the case of the individual yield or revenue coverage, 85 percent;

"(II) in the case of individual yield or revenue coverage aggregated across multiple commodities, 90 percent; and

"(III) in the case of area yield or revenue coverage (as determined by the Corporation), 95 percent."; and

(B) in subparagraph (C)—

(i) in clause (ii), by striking "14" and inserting "10"; and

(ii) in clause (iii)(I), by striking "86" and inserting "90".

(2) PREMIUM COST SHARE.—Section 508(e)(2)(H)(i) of the Federal Crop Insurance Act (7 U.S.C. 1508(e)(2)(H)(i)) is amended by striking "65" and inserting "80".

(t) PREMIUM SUPPORT.—Section 508(e)(2) of the Federal Crop Insurance Act (7 U.S.C. 1508(e)(2)) is amended—

(1) in subparagraph (C)(i), by striking "64" and inserting "69";

(2) in subparagraph (D)(i), by striking "59" and inserting "64";

(3) in subparagraph (E)(i), by striking "55" and inserting "60";

(4) in subparagraph (F)(i), by striking "48" and inserting "51"; and

(5) in subparagraph (G)(i), by striking "38" and inserting "41".

(u) ADMINISTRATIVE AND OPERATING EXPENSE ADJUSTMENTS.—Section 508(k) of the Federal Crop Insurance Act (7 U.S.C. 1508(k)) is amended by adding at the end the following:

"(10) ADDITIONAL EXPENSES.—

"(A) IN GENERAL.—Beginning with the 2026 reinsurance year and for each reinsurance year thereafter, in addition to the terms and conditions of the Standard Reinsurance Agreement, to cover additional expenses for loss adjustment procedures, the Corporation shall pay an additional administrative and operating expense subsidy to approved insurance providers for eligible contracts.

"(B) PAYMENT AMOUNT.—In the case of an eligible contract, the payment to an approved insurance provider required under subparagraph (A) shall be the amount equal to 6 percent of the net book premium.

"(C) DEFINITIONS.—In this paragraph:

"(i) ELIGIBLE STATE.—The term 'eligible State' means a State—

"(I) identified in State Group 2 or State Group 3 (as defined in the Standard Reinsurance Agreement for reinsurance year 2026); and

"(II) in which, with respect to an insurance year, the loss ratio for eligible contracts is greater than 120 percent of the total net book premium written by all approved insurance providers.

"(ii) ELIGIBLE CONTRACTS.—The term 'eligible contract'—

"(I) means a crop insurance contract entered into by an approved insurance provider in an eligible State; and

"(II) does not include a contract for—

"(aa) catastrophic risk protection under subsection (b);

"(bb) an area-based plan of insurance or similar plan of insurance, as determined by the Corporation; or

"(cc) a policy under which an approved insurance provider does not incur loss adjustment expenses, as determined by the Corporation.

"(11) SPECIALTY CROPS.—

"(A) MINIMUM REIMBURSEMENT.—Beginning with the 2026 reinsurance year and for each reinsurance year thereafter, the rate of reimbursement to approved insur-

ance providers and agents for administrative and operating expenses with respect to crop insurance contracts covering agricultural commodities described in section 101 of title I of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) shall be equal to or greater than the percent that is the greater of the following:

"(i) 17 percent of the premium used to define loss ratio.

"(ii) The percent of the premium used to define loss ratio that is otherwise applicable for the reinsurance year under the terms of the Standard Reinsurance Agreement in effect for the reinsurance year.

"(B) OTHER CONTRACTS.—In carrying out subparagraph (A), the Corporation shall not reduce, with respect to any reinsurance year, the amount or the rate of reimbursement to approved insurance providers and agents under the Standard Reinsurance Agreement described in clause (ii) of such subparagraph for administrative and operating expenses with respect to contracts covering agricultural commodities that are not subject to such subparagraph.

"(C) ADMINISTRATION.—The requirements of this paragraph and the adjustments made pursuant to this paragraph shall not be considered a renegotiation under paragraph (8)(A).

"(12) A&O INFLATION ADJUSTMENT.—

"(A) IN GENERAL.—Subject to subparagraph (B), for the 2026 reinsurance year, and each reinsurance year thereafter, the Corporation shall increase the total administrative and operating expense reimbursements otherwise required under the Standard Reinsurance Agreement in effect for the reinsurance year in order to account for inflation, in a manner consistent with the increases provided with respect to the 2011 through 2015 reinsurance years under the enclosure included in Risk Management Agency Bulletin numbered MGR–10–007 and dated June 30, 2010.

"(B) SPECIAL RULE FOR 2026 REINSURANCE YEAR.—The increase under subparagraph (A) for the 2026 reinsurance year shall not exceed the percentage change for the preceding reinsurance year included in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

"(C) ADMINISTRATION.—An increase under subparagraph (A)—

"(i) shall apply with respect to all contracts covering agricultural commodities that were subject to an increase during the period of the 2011 through 2015 reinsurance years under the enclosure referred to in that subparagraph; and

"(ii) shall not be considered to be a renegotiation of the Standard Reinsurance Agreement for purposes of paragraph (8)(A).".

(v) PROGRAM COMPLIANCE AND INTEGRITY.—Section 515(l)(2) of the Federal Crop Insurance Act (7 U.S.C. 1515(l)(2)) is amended by

striking "than" and all that follows through the period at the end and inserting the following: "than—

"(A) $4,000,000 for each of fiscal years 2009 through 2025; and

"(B) $6,000,000 for fiscal year 2026 and each subsequent fiscal year.".

(w) REVIEWS, COMPLIANCE, AND INTEGRITY.—Section 516(b)(2)(C)(i) of the Federal Crop Insurance Act (7 U.S.C. 1516(b)(2)(C)(i)) is amended by striking "each fiscal year" and inserting "each of fiscal years 2014 through 2025 and $10,000,000 for fiscal year 2026 and each fiscal year thereafter".

(x) POULTRY INSURANCE PILOT PROGRAM.—Section 523 of the Federal Crop Insurance Act (7 U.S.C. 1523) is amended by adding at the end the following:

"(j) POULTRY INSURANCE PILOT PROGRAM.—

"(1) IN GENERAL.—Notwithstanding subsection (a)(2), the Corporation shall establish a pilot program under which contract poultry growers, including growers of broilers and laying hens, may elect to receive index-based insurance from extreme weather-related risk resulting in increased utility costs (including costs of natural gas, propane, electricity, water, and other appropriate costs, as determined by the Corporation) associated with poultry production.

"(2) STAKEHOLDER ENGAGEMENT.—The Corporation shall engage with poultry industry stakeholders in establishing the pilot program under paragraph (1).

"(3) LOCATION.—The pilot program established under paragraph (1) shall be conducted in a sufficient number of counties to provide a comprehensive evaluation of the feasibility, effectiveness, and demand among producers in the top poultry producing States, including Alabama, Arkansas, and Mississippi, as determined by the Corporation.

"(4) APPROVAL OF POLICY OR PLAN.—Notwithstanding section 508(l), the Board shall approve a policy or plan of insurance based on the pilot program under paragraph (1)—

"(A) in accordance with section 508(h); and

"(B) not later than 24 months after the date of enactment of this subsection.".

SEC. 10102. CONSERVATION.

(a) GRASSROOTS SOURCE WATER PROTECTION PROGRAM.—Section 1240O(b) of the Food Security Act of 1985 (16 U.S.C. 3839bb–2(b)) is amended—

(1) in paragraph (1), by striking "2023" and inserting "2031"; and

(2) in paragraph (3)—

(A) in subparagraph (A), by striking the "and" at the end;

(B) in subparagraph (B), by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following:

"(C) $1,000,000 beginning in fiscal year 2026, to remain available until expended.".

(b) VOLUNTARY PUBLIC ACCESS AND HABITAT INCENTIVE PROGRAM.—Section 1240R(f)(1) of the Food Security Act of 1985 (16 U.S.C. 3839bb–5(f)(1)) is amended—

(1) by striking the "and" after "2023,"; and

(2) by inserting ", and $10,000,000 for each of fiscal years 2025 through 2031" before the period at the end.

(c) FERAL SWINE ERADICATION AND CONTROL PILOT PROGRAM.—Section 2408(g)(1) of the Agriculture Improvement Act of 2018 (7 U.S.C. 8351 note; Public Law 115–334) is amended—

(1) by striking "and" and inserting a comma; and

(2) by inserting ", and $15,000,000 for each of fiscal years 2025 through 2031" before the period at the end.

(d) FUNDING.—

(1) IN GENERAL.—Section 1241(a) of the Food Security Act of 1985 (16 U.S.C. 3841(a)) is amended—

(A) in paragraph (2), by striking subparagraphs (A) through (F) and inserting the following:

"(A) $625,000,000 for fiscal year 2026;
"(B) $650,000,000 for fiscal year 2027;
"(C) $675,000,000 for fiscal year 2028;
"(D) $700,000,000 for fiscal year 2029;
"(E) $700,000,000 for fiscal year 2030; and
"(F) $700,000,000 for fiscal year 2031."; and

(B) in paragraph (3)—

(i) in subparagraph (A), by striking clauses (i) through (v) and inserting the following:

"(i) $2,655,000,000 for fiscal year 2026;
"(ii) $2,855,000,000 for fiscal year 2027;
"(iii) $3,255,000,000 for fiscal year 2028;
"(iv) $3,255,000,000 for fiscal year 2029;
"(v) $3,255,000,000 for fiscal year 2030; and
"(vi) $3,255,000,000 for fiscal year 2031; and"; and

(ii) in subparagraph (B), by striking clauses (i) through (v) and inserting the following:

"(i) $1,300,000,000 for fiscal year 2026;
"(ii) $1,325,000,000 for fiscal year 2027;
"(iii) $1,350,000,000 for fiscal year 2028;
"(iv) $1,375,000,000 for fiscal year 2029;
"(v) $1,375,000,000 for fiscal year 2030; and
"(vi) $1,375,000,000 for fiscal year 2031.".

(2) REGIONAL CONSERVATION PARTNERSHIP PROGRAM.—Section 1271D of the Food Security Act of 1985 (16 U.S.C. 3871d) is amended by striking subsection (a) and inserting the following:

"(a) AVAILABILITY OF FUNDING.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out the program, to the maximum extent practicable—

"(1) $425,000,000 for fiscal year 2026;
"(2) $450,000,000 for fiscal year 2027;
"(3) $450,000,000 for fiscal year 2028;
"(4) $450,000,000 for fiscal year 2029;
"(5) $450,000,000 for fiscal year 2030; and
"(6) $450,000,000 for fiscal year 2031.".

(3) WATERSHED PROTECTION AND FLOOD PREVENTION.—Section 15 of the Watershed Protection and Flood Prevention Act (16 U.S.C. 1012a) is amended—

(A) by striking "$50,000,000 for fiscal year 2019" and inserting "$150,000,000 for fiscal year 2026"; and

(B) by inserting ", to remain available until expended" before the period at the end.

(4) RESCISSION.—The unobligated balances of amounts appropriated by section 21001(a) of Public Law 117–169 (136 Stat. 2015) are rescinded.

SEC. 10103. TRADE.

Section 203(f) of the Agricultural Trade Act of 1978 (7 U.S.C. 5623(f)) is amended—

(1) in paragraph (2)—

(A) by striking "For each of fiscal years" and inserting "(A) IN GENERAL.—For each of fiscal years"; and

(B) by adding at the end the following new subparagraph:

"(B) FISCAL YEARS 2026 THROUGH 2031.—For each of fiscal years 2026 through 2031, of the funds of, or an equal value of commodities owned by, the Commodity Credit Corporation, the Secretary shall use to carry out this section $489,500,000, to remain available until expended.";

(2) by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively;

(3) by inserting after paragraph (3) the following new paragraph:

"(4) ALLOCATIONS FOR FISCAL YEARS 2026 THROUGH 2031.—

"(A) IN GENERAL.—For each of fiscal years 2026 through 2031, the Secretary shall allocate funds to carry out this section in accordance with the following:

"(i) MARKET ACCESS PROGRAM.—For market access activities authorized under subsection (b), of the funds of, or an equal value of commodities owned by, the Commodity Credit Corporation, not less than $400,000,000 for each fiscal year.

"(ii) FOREIGN MARKET DEVELOPMENT COOPERATOR PROGRAM.—To carry out subsection (c), of the funds of, or an equal value of commodities owned by, the Commodity Credit Corporation, not less than $69,000,000 for each fiscal year.

"(iii) E (KIKA) DE LA GARZA EMERGING MARKETS PROGRAM.—To provide assistance under subsection (d), of the funds of, or an equal value of commodities owned by, the Commodity Credit Corporation, not more than $8,000,000 for each fiscal year.

"(iv) TECHNICAL ASSISTANCE FOR SPECIALTY CROPS.—To carry out subsection (e), of the funds of, or an equal value of the commodities owned by, the Commodity Credit Corporation, $9,000,000 for each fiscal year.

"(v) PRIORITY TRADE FUND.—

"(I) IN GENERAL.—In addition to the amounts allocated under clauses (i) through (iv), and notwithstanding any limitations in those clauses, as

determined by the Secretary, for 1 or more programs under this section for authorized activities to access, develop, maintain, and expand markets for United States agricultural commodities, $3,500,000 for each fiscal year.

"(II) CONSIDERATIONS.—In allocating funds made available under subclause (I), the Secretary may consider providing a greater allocation to 1 or more programs under this section for which the amounts requested under applications exceed available funding for the 1 or more programs.

"(B) REALLOCATION.—Any funds allocated under clauses (i) through (iv) of subparagraph (A) that remain unobligated one year after the end of the fiscal year in which they are first made available shall be reallocated to the priority trade fund under subparagraph (A)(v). To the maximum extent practicable, the Secretary shall allocate such reallocated funds to support exports of those types of United States agricultural commodities eligible for assistance under the program for which the funds were originally allocated under subparagraph (A).''; and

(4) in paragraph (6), as so redesignated, by inserting ", paragraph (4)(A)(v)," after "paragraph (3)(A)(v)".

SEC. 10104. RESEARCH.

(a) URBAN, INDOOR, AND OTHER EMERGING AGRICULTURAL PRODUCTION RESEARCH, EDUCATION, AND EXTENSION INITIATIVE.—Section 1672E(d)(1)(B) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5925g(d)(1)(B)) is amended by striking "fiscal year 2024, to remain available until expended" and inserting "each of fiscal years 2024 through 2031".

(b) FOUNDATION FOR FOOD AND AGRICULTURE RESEARCH.—Section 7601(g)(1)(A) of the Agricultural Act of 2014 (7 U.S.C. 5939(g)(1)(A)) is amended adding at the end the following:

"(iv) FURTHER FUNDING.—Of the funds of the Commodity Credit Corporation, the Secretary shall transfer to the Foundation to carry out this section, to remain available until expended, not later than 30 days after the date of enactment of this clause, $37,000,000.".

(c) SCHOLARSHIPS FOR STUDENTS AT 1890 INSTITUTIONS.—Section 1446 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3222a) is amended—

(1) in subsection (a)—

(A) by striking paragraph (3); and

(B) by redesignating paragraph (4) as paragraph (3); and

(2) in subsection (b), by amending paragraph (1) to read as follows:

"(1) MANDATORY FUNDING.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out this section $60,000,000 for fiscal year 2026, to remain available until expended.".

(d) ASSISTIVE TECHNOLOGY PROGRAM FOR FARMERS WITH DISABILITIES.—Section 1680(c) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5933(c)) is amended—

(1) in the subsection heading, by striking "AUTHORIZATION OF APPROPRIATIONS" and inserting "FUNDING";

(2) by redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively; and

(3) by inserting before paragraph (2), as so redesignated, the following:

"(1) MANDATORY FUNDING.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section $8,000,000, to remain available until expended."; and

(4) in paragraph (2), as so redesignated—

(A) in the paragraph heading, by striking "IN GENERAL" and inserting "AUTHORIZATION OF APPROPRIATIONS"; and

(B) by striking "Subject to paragraph (2)" and inserting "Subject to paragraph (3)".

(e) SPECIALTY CROP RESEARCH INITIATIVE.—Section 412(k)(1)(B) of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7632(k)(1)(B)) is amended by striking "section $80,000,000 for fiscal year 2014" and inserting the following: "section—

"(i) $80,000,000 for each of fiscal years 2014 through 2025; and

"(ii) $175,000,000 for fiscal year 2026".

(f) RESEARCH FACILITIES ACT.—Section 6 of the Research Facilities Act (7 U.S.C. 390d) is amended—

(1) in the section heading by striking "**AUTHORIZATION OF APPROPRIATIONS**" and inserting "**FUNDING**"; and

(2) in subsection (a)—

(A) by striking "(a) IN GENERAL.—Subject to" and inserting the following:

"(a) IN GENERAL.—

"(1) AUTHORIZATION OF APPROPRIATIONS.—Subject to"; and

(B) by adding at the end the following:

"(2) MANDATORY FUNDING.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out the competitive grant program under section 4, $125,000,000 for each fiscal year beginning with fiscal year 2026.".

SEC. 10105. SECURE RURAL SCHOOLS; FORESTRY.

(a) EXTENSION OF CERTAIN PROVISIONS OF SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION ACT OF 2000.—

(1) SECURE PAYMENTS FOR STATES AND COUNTIES CONTAINING FEDERAL LAND.—

(A) SECURE PAYMENTS.—Section 101 of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7111) is amended—

(i) in subsections (a) and (b), by striking "2023" each place it appears and inserting "2026"; and

(ii) by adding at the end the following:

"(e) SPECIAL RULE FOR FISCAL YEAR 2024 PAYMENTS.—

"(1) STATE PAYMENT.—If an eligible county in a State that will receive a share of the State payment for fiscal year 2024 has already received, or will receive, a share of the 25-percent payment for fiscal year 2024 distributed to the State before the date of enactment of this subsection—

"(A) if the amount of the State payment exceeds the amount of the 25-percent payment, the amount of the State payment shall be reduced by the amount of the share of the eligible county of the 25-percent payment; or

"(B) if the amount of the State payment is less than or equal to the amount of the 25-percent payment, the eligible county—

"(i) may retain the amount of the share of the eligible county of the 25-percent payment; and

"(ii) if so retained, such amount shall be treated as if it were received by the county as a State payment for purposes of this Act.

"(2) COUNTY PAYMENT.—If an eligible county that will receive a county payment for fiscal year 2024 has already received a 50-percent payment for fiscal year 2024—

"(A) if the amount of the county payment exceeds the amount of the 50-percent payment, the amount of the county payment shall be reduced by the amount of the 50-percent payment; or

"(B) if the amount of the county payment is less than or equal to the amount of the 50-percent payment, the eligible county—

"(i) may retain the amount of the 50-percent payment; and

"(ii) if so retained, such amount shall be treated as if it were received as a county payment for purposes of this Act.

"(3) TIMELY PAYMENT.—Not later than 90 days after the date of enactment of this subsection, the Secretary of the Treasury shall make all payments under this title for fiscal year 2024.".

(B) DISTRIBUTION OF PAYMENTS TO ELIGIBLE COUNTIES.—Section 103(d)(2) of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7113(d)(2)) is amended by striking "2023" and inserting "2026".

(2) PAYMENTS TO STATES AND COUNTIES.—Section 102 of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7112) is amended—

(A) in subsection (b)—

(i) in paragraph (1), by adding at the end the following:

"(E) PAYMENTS FOR EACH OF FISCAL YEARS 2024 AND 2025.—The election otherwise required by subparagraph (A) shall not apply for each of fiscal years 2024 and 2025."; and

(ii) in paragraph (2), by adding at the end the following:

"(C) FISCAL YEARS 2024 AND 2025.—The election described in paragraph (1)(A) applicable to a county in fiscal year 2023 shall be effective for each of fiscal years 2024 and 2025."; and

(B) in subsection (d)—

(i) in paragraph (1), by adding at the end the following:

"(G) PAYMENTS FOR EACH OF FISCAL YEARS 2024 AND 2025.—The election made by an eligible county under subparagraph (B), (C), or (D) for fiscal year 2023, or deemed to be made by the county under paragraph (3)(B) for that fiscal year, shall be effective for each of fiscal years 2024 and 2025."; and

(ii) in paragraph (3), by adding at the end the following:

"(E) PAYMENTS FOR EACH OF FISCAL YEARS 2024 AND 2025.—This paragraph does not apply for each of fiscal years 2024 and 2025.".

(3) EXTENSION OF AUTHORITY TO CONDUCT SPECIAL PROJECTS ON FEDERAL LAND.—

(A) COMMITTEE ON COMPOSITION WAIVER AUTHORITY.—Section 205(d)(6)(C) of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7125(d)(6)(C)) is amended by striking "2023" and inserting "2026".

(B) EXTENSION OF AUTHORITY.—Section 208 of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7128) is amended—

(i) in subsection (a), by striking "2025" and inserting "2028"; and

(ii) in subsection (b), by striking "2026" and inserting "2029".

(4) EXTENSION OF AUTHORITY TO EXPEND COUNTY FUNDS.—Section 305 of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7144) is amended—

(A) in subsection (a), by striking "2025" and inserting "2028"; and

(B) in subsection (b), by striking "2026" and inserting "2029".

(b) RESOURCE ADVISORY COMMITTEE PILOT PROGRAM EXTENSION.—Section 205(g) of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7125(g)) is amended—

(1) in paragraph (5), by striking "2023" and inserting "2026"; and

(2) by striking paragraph (6).

(c) TECHNICAL CORRECTIONS.—

(1) RESOURCE ADVISORY COMMITTEES.—Section 205 of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7125) is amended—

(A) in subsection (c)—

(i) in paragraph (1), by striking "concerned," and inserting "concerned"; and

(ii) in paragraph (3), by striking "the date of the enactment of this Act" and inserting "October 3, 2008"; and

(B) in subsection (d)(4), by striking "to extent" and inserting "to the extent".

(2) USE OF PROJECT FUNDS.—Section 206(b)(2) of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 7126(b)(2)) is amended by striking "concerned," and inserting "concerned".

(d) RESCISSIONS.—

(1) COMPETITIVE GRANTS FOR NON-FEDERAL FOREST LANDOWNERS.—All of the unobligated balances of the funds made available under each of paragraphs (1) through (4) of section 23002(a) of subtitle D of Public Law 117–169 are rescinded.

(2) STATE AND PRIVATE FORESTRY CONSERVATION PROGRAMS.—Of the unobligated balances available under section 23003(a)(1) of subtitle D of Public Law 117–169, $100,719,676 are rescinded.

SEC. 10106. ENERGY.

(a) BIOBASED MARKETS PROGRAM.—Section 9002(k)(1) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8102(k)(1)) is amended by striking "2024" and inserting "2031".

(b) BIOENERGY PROGRAM FOR ADVANCED BIOFUELS.—Section 9005(g)(1)(F) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8105(g)(1)(F)) is amended by striking "2024" and inserting "2031".

SEC. 10107. HORTICULTURE.

(a) PLANT PEST AND DISEASE MANAGEMENT AND DISASTER PREVENTION.—Section 420(f) of the Plant Protection Act (7 U.S.C. 7721) is amended—

(1) in paragraph (5), by striking "and" at the end;

(2) by redesignating paragraph (6) as paragraph (7);

(3) by inserting after paragraph (5) the following:

"(6) $75,000,000 for each of fiscal years 2018 through 2025; and"; and

(4) in paragraph (7) (as so redesignated), by striking "$75,000,000 for fiscal year 2018" and inserting "$90,000,000 for fiscal year 2026".

(b) SPECIALTY CROP BLOCK GRANTS.—Section 101(l)(1) of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note; Public Law 108–465) is amended—

(1) in subparagraph (D), by striking "and" at the end;

(2) by redesignating subparagraph (E) as subparagraph (F);

(3) by inserting after subparagraph (D) the following:

"(E) $85,000,000 for each of fiscal years 2018 through 2025; and"; and

(4) in subparagraph (F) (as so redesignated), by striking "$85,000,000 for fiscal year 2018" and inserting "$100,000,000 for fiscal year 2026.".

(c) ORGANIC PRODUCTION AND MARKET DATA INITIATIVE.—Section 7407(d)(1) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 5925c(d)(1)) is amended—

(1) in subparagraph (B), by striking "and" at the end;

(2) in subparagraph (C), by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following:

"(D) $10,000,000 for the period of fiscal years 2026 through 2031.".

(d) MODERNIZATION AND IMPROVEMENT OF INTERNATIONAL TRADE TECHNOLOGY SYSTEMS AND DATA COLLECTION FUNDING.—Section 2123(c)(4) of the Organic Foods Production Act of 1990 (7 U.S.C. 6522(c)(4)) is amended, in the matter preceding subparagraph (A),

by striking "and $1,000,000 for fiscal year 2024" and inserting ", $1,000,000 for fiscal years 2024 and 2025, and $5,000,000 for fiscal year 2026".

(e) NATIONAL ORGANIC CERTIFICATION COST-SHARE PROGRAM.—Section 10606(d)(1)(C) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523(d)(1)(C)) is amended by striking "for each of fiscal years 2022 through 2024" and inserting "for each of fiscal years 2022 through 2031".

(f) MULTIPLE CROP AND PESTICIDE USE SURVEY.—Section 10109(c)(1) of the Agriculture Improvement Act of 2018 (Public Law 115–334; 132 Stat. 4906) is amended to read as follows:

"(1) MANDATORY FUNDING.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section—

"(A) $500,000 for fiscal year 2019, to remain available until expended;

"(B) $100,000 for fiscal year 2024, to remain available until expended; and

"(C) $5,000,000 for fiscal year 2026, to remain available until expended.".

SEC. 10108. MISCELLANEOUS.

(a) ANIMAL DISEASE PREVENTION AND MANAGEMENT.—Section 10409A(d)(1) of the Animal Health Protection Act (7 U.S.C. 8308a(d)(1)) is amended to read as follows:

"(1) MANDATORY FUNDING.—

"(A) FISCAL YEARS 2023 THROUGH 2025.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out this section $30,000,000 for each of fiscal years 2023 through 2025, of which not less than $18,000,000 shall be made available for each of those fiscal years to carry out subsection (b).

"(B) FISCAL YEARS 2026 THROUGH 2030.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out this section $233,000,000 for each of fiscal years 2026 through 2030, of which—

"(i) not less than $10,000,000 shall be made available for each such fiscal year to carry out subsection (a);

"(ii) not less than $70,000,000 shall be made available for each such fiscal year to carry out subsection (b); and

"(iii) not less than $153,000,000 shall be made available for each such fiscal year to carry out subsection (c).

"(C) SUBSEQUENT FISCAL YEARS.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out this section $75,000,000 for fiscal year 2031 and each fiscal year thereafter, of which not less than $45,000,000 shall be made available for each of those fiscal years to carry out subsection (b).".

(b) SHEEP PRODUCTION AND MARKETING GRANT PROGRAM.—Section 209(c) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1627a(c)) is amended—

(1) by striking "$2,000,000 for fiscal year 2019, and"; and

(2) by inserting "and $3,000,000 for fiscal year 2026" after "fiscal year 2024".

(c) MISCELLANEOUS TRUST FUNDS.—

(1) PIMA AGRICULTURE COTTON TRUST FUND.—Section 12314 of the Agricultural Act of 2014 (7 U.S.C. 2101 note; Public Law 113–79) is amended—

(A) in subsection (b), in the matter preceding paragraph (1), by striking "2024" and inserting "2031"; and

(B) in subsection (h), by striking "2024" and inserting "2031".

(2) AGRICULTURE WOOL APPAREL MANUFACTURERS TRUST FUND.—Section 12315 of the Agricultural Act of 2014 (7 U.S.C. 7101 note; Public Law 113–79) is amended by striking "2024" each place it appears and inserting "2031".

(3) WOOL RESEARCH AND PROMOTION.—Section 12316(a) of the Agricultural Act of 2014 (7 U.S.C. 7101 note; Public Law 113–79) is amended by striking "2024" and inserting "2031".

(4) EMERGENCY CITRUS DISEASE RESEARCH AND DEVELOPMENT TRUST FUND.—Section 12605(d) of the Agriculture Improvement Act of 2018 (7 U.S.C. 7632 note; Public Law 115–334) is amended by striking "2024" and inserting "2031".

TITLE II—COMMITTEE ON ARMED SERVICES

SEC. 20001. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES FOR IMPROVING THE QUALITY OF LIFE FOR MILITARY PERSONNEL.

(a) APPROPRIATIONS.—In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $230,480,000 for restoration and modernization costs under the Marine Corps Barracks 2030 initiative;

(2) $119,000,000 for base operating support costs under the Marine Corps Barracks 2030 initiative;

(3) $1,000,000,000 for Army, Navy, Air Force, and Space Force sustainment, restoration, and modernizations of military unaccompanied housing;

(4) $2,000,000,000 for the Defense Health Program;

(5) $2,900,000,000 to supplement the basic allowance for housing payable to members of the Armed Forces, notwithstanding section 403 of title 37, United States Code;

(6) $50,000,000 for bonuses, special pays, and incentive pays for members of the Armed Forces pursuant to titles 10 and 37, United States Code;

(7) $10,000,000 for the Defense Activity for Non-Traditional Education Support's Online Academic Skills Course program for members of the Armed Forces;

(8) $100,000,000 for tuition assistance for members of the Armed Forces pursuant to title 10, United States Code;

(9) $100,000,000 for child care fee assistance for members of the Armed Forces under part II of chapter 88 of title 10, United States Code;

(10) $590,000,000 to increase the Temporary Lodging Expense Allowance under chapter 8 of title 37, United States Code, to 21 days;

(11) $100,000,000 for Department of Defense Impact Aid payments to local educational agencies under section 2008 of title 10, United States Code;

(12) $10,000,000 for military spouse professional licensure under section 1784 of title 10, United States Code;

(13) $6,000,000 for Armed Forces Retirement Home facilities; and

(14) $100,000,000 for the Defense Community Infrastructure Program.

(b) TEMPORARY INCREASE IN PERCENTAGE OF VALUE OF AUTHORIZED INVESTMENT IN CERTAIN PRIVATIZED MILITARY HOUSING PROJECTS.—

(1) IN GENERAL.—During the period beginning on the date of the enactment of this section and ending on September 30, 2029, the Secretary concerned shall apply—

(A) paragraph (1) of subsection (c) of section 2875 of title 10, United States Code, by substituting "60 percent" for "33 ⅓ percent"; and

(B) paragraph (2) of such subsection by substituting "60 percent" for "45 percent".

(2) SECRETARY CONCERNED DEFINED.—In this subsection, the term "Secretary concerned" has the meaning given such term in section 101 of title 10, United States Code.

(c) TEMPORARY AUTHORITY FOR ACQUISITION OR CONSTRUCTION OF PRIVATIZED MILITARY UNACCOMPANIED HOUSING.—Section 2881a of title 10, United States Code, is amended—

(1) by striking the heading and inserting "**Temporary authority for acquisition or construction of privatized military unaccompanied housing**";

(2) by striking "Secretary of the Navy" each place it appears and inserting "Secretary concerned";

(3) by striking "under the pilot projects" each place it appears and inserting "pursuant to this section";

(4) in subsection (a)—

(A) by striking the heading and inserting "IN GENERAL"; and

(B) by striking "carry out not more than three pilot projects under the authority of this section or another provision of this subchapter to use the private sector" and inserting "use the authority under this subchapter to enter into contracts with appropriate private sector entities";

(5) in subsection (c), by striking "privatized housing" and inserting "privatized housing units";

(6) by redesignating subsection (f) as subsection (e); and

(7) in subsection (e) (as so redesignated)—

(A) by striking "under the pilot programs" and inserting "under this section"; and

(B) by striking "September 30, 2009" and inserting "September 30, 2029".

SEC. 20002. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES FOR SHIPBUILDING.

In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $250,000,000 for the expansion of accelerated Training in Defense Manufacturing program;

(2) $250,000,000 for United States production of turbine generators for shipbuilding industrial base;

(3) $450,000,000 for United States additive manufacturing for wire production and machining capacity for shipbuilding industrial base;

(4) $492,000,000 for next-generation shipbuilding techniques;

(5) $85,000,000 for United States-made steel plate for shipbuilding industrial base;

(6) $50,000,000 for machining capacity for naval propellers for shipbuilding industrial base;

(7) $110,000,000 for rolled steel and fabrication facility for shipbuilding industrial base;

(8) $400,000,000 for expansion of collaborative campus for naval shipbuilding;

(9) $450,000,000 for application of autonomy and artificial intelligence to naval shipbuilding;

(10) $500,000,000 for the adoption of advanced manufacturing techniques in the maritime industrial base;

(11) $500,000,000 for additional dry-dock capability;

(12) $50,000,000 for the expansion of cold spray repair technologies;

(13) $450,000,000 for additional maritime industrial workforce development programs;

(14) $750,000,000 for additional supplier development across the naval shipbuilding industrial base;

(15) $250,000,000 for additional advanced manufacturing processes across the naval shipbuilding industrial base;

(16) $4,600,000,000 for a second Virginia-class submarine in fiscal year 2027;

(17) $5,400,000,000 for two additional Guided Missile Destroyer (DDG) ships;

(18) $160,000,000 for advanced procurement for Landing Ship Medium;

(19) $1,803,941,000 for procurement of Landing Ship Medium;

(20) $295,000,000 for development of a second Landing Craft Utility shipyard and production of additional Landing Craft Utility;

(21) $100,000,000 for the procurement of commercial logistics ships;

(22) $600,000,000 for the lease or purchase of new ships through the National Defense Sealift Fund;

(23) $2,725,000,000 for the procurement of T-AO oilers;

(24) $500,000,000 for cost-to-complete for rescue and salvage ships;

(25) $300,000,000 for production of ship-to-shore connectors;

(26) $695,000,000 for the implementation of a multi-ship amphibious warship contract;

(27) $80,000,000 for accelerated development of vertical launch system reloading at sea;

(28) $250,000,000 for expansion of Navy corrosion control programs;

(29) $159,000,000 for leasing of ships for Marine Corps operations;

(30) $1,534,000,000 for expansion of small unmanned surface vessel production;

(31) $1,800,000,000 for expansion of medium unmanned surface vessel production;

(32) $1,300,000,000 for expansion of unmanned underwater vehicle production;

(33) $188,360,000 for the development and testing of maritime robotic autonomous systems and enabling technologies;

(34) $174,000,000 for the development of a Test Resource Management Center robotic autonomous systems proving ground;

(35) $250,000,000 for the development, production, and integration of wave-powered unmanned underwater vehicles;

(36) $2,100,000,000 for San Antonio-class Amphibious Transport Dock (LPD); and

(37) $3,700,000,000 for America-class Amphibious Assault Ship (LHA).

SEC. 20003. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES FOR INTEGRATED AIR AND MISSILE DEFENSE.

(a) NEXT GENERATION MISSILE DEFENSE TECHNOLOGIES.—In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $183,000,000 for Missile Defense Agency special programs;

(2) $250,000,000 for development and testing of directed energy capabilities by the Under Secretary for Research and Engineering;

(3) $300,000,000 for classified military space superiority programs run by the Strategic Capabilities Office;

(4) $500,000,000 for national security space launch infrastructure;

(5) $2,000,000,000 for air moving target indicator military satellites;

(6) $400,000,000 for expansion of Multi-Service Advanced Capability Hypersonic Test Bed program;

(7) $5,600,000,000 for development of space-based and boost phase intercept capabilities;

(8) $2,400,000,000 for the development of military non-kinetic missile defense effects; and

(9) $7,200,000,000 for the development, procurement, and integration of military space-based sensors.

(b) LAYERED HOMELAND DEFENSE.—In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $2,200,000,000 for acceleration of hypersonic defense systems;

(2) $800,000,000 for accelerated development and deployment of next-generation intercontinental ballistic missile defense systems;

(3) $408,000,000 for Army space and strategic missile test range infrastructure restoration and modernization in the United States Indo-Pacific Command area of operations west of the international dateline;

(4) $1,975,000,000 for improved ground-based missile defense radars; and

(5) $530,000,000 for the design and construction of Missile Defense Agency missile instrumentation range safety ship.

SEC. 20004. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES FOR MUNITIONS AND DEFENSE SUPPLY CHAIN RESILIENCY.

(a) APPROPRIATIONS.—In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $400,000,000 for the development, production, and integration of Navy and Air Force long-range anti-ship missiles;

(2) $380,000,000 for production capacity expansion for Navy and Air Force long-range anti-ship missiles;

(3) $490,000,000 for the development, production, and integration of Navy and Air Force long-range air-to-surface missiles;

(4) $94,000,000 for the development, production, and integration of alternative Navy and Air Force long-range air-to-surface missiles;

(5) $630,000,000 for the development, production, and integration of long-range Navy air defense and anti-ship missiles;

(6) $688,000,000 for the development, production, and integration of long-range multi-service cruise missiles;

(7) $250,000,000 for production capacity expansion and supplier base strengthening of long-range multi-service cruise missiles;

(8) $70,000,000 for the development, production, and integration of short-range Navy and Marine Corps anti-ship missiles;

(9) $100,000,000 for the development of an anti-ship seeker for short-range Army ballistic missiles;

(10) $175,000,000 for production capacity expansion for next-generation Army medium-range ballistic missiles;

(11) $50,000,000 for the mitigation of diminishing manufacturing sources for medium-range air-to-air missiles;

(12) $250,000,000 for the procurement of medium-range air-to-air missiles;

(13) $225,000,000 for the expansion of production capacity for medium-range air-to-air missiles;

(14) $50,000,000 for the development of second sources for components of short-range air-to-air missiles;
(15) $325,000,000 for production capacity improvements for air-launched anti-radiation missiles;
(16) $50,000,000 for the accelerated development of Army next-generation medium-range anti-ship ballistic missiles;
(17) $114,000,000 for the production of Army next-generation medium-range ballistic missiles;
(18) $300,000,000 for the production of Army medium-range ballistic missiles;
(19) $85,000,000 for the accelerated development of Army long-range ballistic missiles;
(20) $400,000,000 for the production of heavyweight torpedoes;
(21) $200,000,000 for the development, procurement, and integration of commercial heavyweight torpedoes;
(22) $70,000,000 for the improvement of heavyweight torpedo maintenance activities;
(23) $200,000,000 for the production of lightweight torpedoes;
(24) $500,000,000 for the development, procurement, and integration of maritime mines;
(25) $50,000,000 for the development, procurement, and integration of new underwater explosives;
(26) $55,000,000 for the development, procurement, and integration of lightweight multi-mission torpedoes;
(27) $80,000,000 for the production of sonobuoys;
(28) $150,000,000 for the development, procurement, and integration of air-delivered long-range maritime mines;
(29) $61,000,000 for the acceleration of Navy expeditionary loitering munitions deployment;
(30) $50,000,000 for the acceleration of one-way attack unmanned aerial systems with advanced autonomy;
(31) $1,000,000,000 for the expansion of the one-way attack unmanned aerial systems industrial base;
(32) $3,500,000,000 for grants made pursuant to the Industrial Base Fund established under section 4817 of title 10, United States Code;
(33) $1,000,000,000 for grants and purchase commitments made pursuant to the Industrial Base Fund established under section 4817 of title 10, United States Code;
(34) $200,000,000 for investments in solid rocket motor industrial base through the Industrial Base Fund established under section 4817 of title 10, United States Code;
(35) $400,000,000 for investments in the emerging solid rocket motor industrial base through the Industrial Base Fund established under section 4817 of title 10, United States Code;
(36) $42,000,000 for investments in second sources for large-diameter solid rocket motors for hypersonic missiles;
(37) $1,000,000,000 for the creation of next-generation automated munitions production factories;
(38) $170,000,000 for the development of advanced radar depot for repair, testing, and production of radar and electronic warfare systems;

(39) $25,000,000 for the expansion of the Department of Defense industrial base policy analysis workforce;

(40) $30,300,000 for the repair of Army missiles;

(41) $100,000,000 for the production of small and medium ammunition;

(42) $2,500,000,000 for additional activities to improve the United States production of critical minerals through the National Defense Stockpile, authorized by subchapter III of chapter 5 of title 50, United States Code;

(43) $10,000,000 for the expansion of the Department of Defense armaments cooperation workforce;

(44) $250,000,000 for the expansion of the Defense Exportability Features program;

(45) $250,000,000 for the development of new armaments cooperation programs;

(46) $350,000,000 for production of Navy long-range air and missile defense interceptors;

(47) $93,000,000 for replacement of Navy long-range air and missile defense interceptors;

(48) $100,000,000 for development of a second solid rocket motor source for Navy air defense and anti ship missiles;

(49) $65,000,000 for expansion of production capacity of Missile Defense Agency long-range anti-ballistic missiles;

(50) $225,000,000 for expansion of production capacity for Navy air defense and anti-ship missiles;

(51) $103,300,000 for expansion of depot level maintenance facility for Navy long-range air and missile defense interceptors;

(52) $18,000,000 for creation of domestic source for guidance section of Navy short-range air defense missiles;

(53) $65,000,000 for integration of Army medium-range air and missile defense interceptor with Navy ships;

(54) $176,100,000 for production of Army long-range movable missile defense radar;

(55) $100,000,000 for accelerated fielding of Army short-range gun-based air and missile defense system;

(56) $40,000,000 for development of low-cost alternatives to air and missile defense interceptors;

(57) $50,000,000 for acceleration of Army next-generation shoulder-fired air defense system;

(58) $91,000,000 for production of Army next-generation shoulder-fired air defense system;

(59) $500,000,000 for development, production, and integration of counter-unmanned aerial systems programs;

(60) $350,000,000 for development, production, and integration of non-kinetic counter-unmanned aerial systems programs;

(61) $250,000,000 for development, production, and integration of land-based counter-unmanned aerial systems programs;

(62) $200,000,000 for development, production, and integration of ship-based counter-unmanned aerial systems programs; and

(63) $400,000,000 for acceleration of hypersonic strike programs.

(b) APPROPRIATIONS.—In addition to amounts otherwise available, there is appropriated to the Secretary of Defense, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029, $500,000,000 to the "Department of Defense Credit Program Account" to carry out the capital assistance program, including loans, loan guarantees, and technical assistance, established under section 149(e) of title 10, United States Code, for the development of reliable sources of critical minerals: *Provided*, That—

(1) such amounts are available to subsidize gross obligations for the principal amount of direct loans, and total loan principal, any part of which is to be guaranteed, not to exceed $100,000,000,000; and

(2) such amounts are available to cover all costs and expenditures as provided under section 149(e)(5)(B) of title 10, United States Code.

SEC. 20005. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES FOR SCALING LOW-COST WEAPONS INTO PRODUCTION.

(a) APPROPRIATIONS.—In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $25,000,000 for the Office of Strategic Capital Global Technology Scout program;

(2) $1,100,000,000 for the expansion of the small unmanned aerial system industrial base;

(3) $400,000,000 for the development and deployment of the Joint Fires Network and associated joint battle management capabilities;

(4) $400,000,000 for the expansion of advanced command-and-control tools to combatant commands and military departments;

(5) $100,000,000 for the development of shared secure facilities for the defense industrial base;

(6) $50,000,000 for the creation of additional Defense Innovation Unit OnRamp Hubs;

(7) $250,000,000 for the acceleration of Strategic Capabilities Office programs;

(8) $650,000,000 for the expansion of Mission Capabilities office joint prototyping and experimentation activities for military innovation;

(9) $500,000,000 for the accelerated development and integration of advanced 5G/6G technologies for military use;

(10) $25,000,000 for testing of simultaneous transmit and receive technology for military spectrum agility;

(11) $50,000,000 for the development, procurement, and integration of high-altitude stratospheric balloons for military use;

(12) $120,000,000 for the development, procurement, and integration of long-endurance unmanned aerial systems for surveillance;

(13) $40,000,000 for the development, procurement, and integration of alternative positioning and navigation technology to

enable military operations in contested electromagnetic environments;

(14) $750,000,000 for the acceleration of innovative military logistics and energy capability development and deployment;

(15) $120,000,000 for the acceleration of development of small modular nuclear reactors for military use;

(16) $1,000,000,000 for the expansion of programs to accelerate the procurement and fielding of innovative technologies;

(17) $90,000,000 for the development of reusable hypersonic technology for military strikes and intelligence;

(18) $2,000,000,000 for the expansion of Defense Innovation Unit scaling of commercial technology for military use;

(19) $500,000,000 to prevent delays in delivery of attritable autonomous military capabilities;

(20) $1,000,000,000 for the development, procurement, and integration of low-cost cruise missiles;

(21) $500,000,000 for the development, procurement, and integration of exportable low-cost cruise missiles;

(22) $124,000,000 for improvements to Test Resource Management Center artificial intelligence capabilities;

(23) $145,000,000 for the development of artificial intelligence to enable one-way attack unmanned aerial systems and naval systems;

(24) $250,000,000 for the development of the Test Resource Management Center digital test environment;

(25) $250,000,000 for the advancement of the artificial intelligence ecosystem;

(26) $250,000,000 for the expansion of Cyber Command artificial intelligence lines of effort;

(27) $250,000,000 for the acceleration of the Quantum Benchmarking Initiative;

(28) $500,000,000 for the expansion and acceleration of qualification activities and technical data management to enhance competition in defense industrial base;

(29) $400,000,000 for the expansion of the defense manufacturing technology program; and

(30) $685,000,000 for military cryptographic modernization activities.

(b) APPROPRIATIONS.—In addition to amounts otherwise available, there are appropriated to the Secretary of Defense, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029, $1,000,000,000 to the "Department of Defense Credit Program Account" to carry out the capital assistance program, including loans, loan guarantees, and technical assistance, established under section 149(e) of title 10, United States Code: *Provided*, That—

(1) such amounts are available to subsidize gross obligations for the principal amount of direct loans, and total loan principal, any part of which is to be guaranteed, not to exceed $100,000,000,000; and

(2) such amounts are available to cover all costs and expenditures as provided under section 149(e)(5)(B) of title 10, United States Code.

SEC. 20006. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES FOR IMPROVING THE EFFICIENCY AND CYBERSECURITY OF THE DEPARTMENT OF DEFENSE.

In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $150,000,000 for business systems replacement to accelerate the audits of the financial statements of the Department of Defense pursuant to chapter 9A and section 2222 of title 10, United States Code;

(2) $200,000,000 for the deployment of automation and artificial intelligence to accelerate the audits of the financial statements of the Department of Defense pursuant to chapter 9A and section 2222 of title 10, United States Code;

(3) $10,000,000 for the improvement of the budgetary and programmatic infrastructure of the Office of the Secretary of Defense; and

(4) $20,000,000 for defense cybersecurity programs of the Defense Advanced Research Projects Agency.

SEC. 20007. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES FOR AIR SUPERIORITY.

In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $3,150,000,000 to increase F–15EX aircraft production;

(2) $361,220,000 to prevent the retirement of F–22 aircraft;

(3) $127,460,000 to prevent the retirement of F–15E aircraft;

(4) $50,000,000 to accelerate installation of F–16 electronic warfare capability;

(5) $116,000,000 for C–17A Mobility Aircraft Connectivity;

(6) $84,000,000 for KC–135 Mobility Aircraft Connectivity;

(7) $440,000,000 to increase C–130J production;

(8) $474,000,000 to increase EA–37B production;

(9) $300,000,000 for Air Force classified programs;

(10) $678,000,000 to accelerate the Collaborative Combat Aircraft program;

(11) $400,000,000 to accelerate production of the F–47 aircraft;

(12) $230,000,000 for Navy classified programs;

(13) $500,000,000 accelerate the FA/XX aircraft;

(14) $100,000,000 for production of Advanced Aerial Sensors;

(15) $160,000,000 to accelerate V–22 nacelle improvement; and

(16) $100,000,000 to accelerate production of MQ–25 aircraft.

SEC. 20008. ENHANCEMENT OF RESOURCES FOR NUCLEAR FORCES.

(a) DOD APPROPRIATIONS.—In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $1,500,000,000 for risk reduction activities for the Sentinel intercontinental ballistic missile program;

(2) $4,500,000,000 for acceleration of the B–21 long-range bomber aircraft;

(3) $500,000,000 for improvements to the Minuteman III intercontinental ballistic missile system;

(4) $100,000,000 for capability enhancements to intercontinental ballistic missile reentry vehicles;

(5) $148,000,000 for the expansion of D5 missile motor production;

(6) $400,000,000 to accelerate the development of Trident D5LE2 submarine-launched ballistic missiles;

(7) $2,000,000,000 to accelerate the development, procurement, and integration of the nuclear-armed sea-launched cruise missile;

(8) $62,000,000 to convert Ohio-class submarine tubes to accept additional missiles;

(9) $22,000,000 to enhance nuclear deterrence through classified programs;

(10) $168,000,000 to accelerate the production of the Survivable Airborne Operations Center program;

(11) $65,000,000 to accelerate the modernization of nuclear command, control, and communications; and

(12) $210,300,000 for the increased production of MH–139 helicopters.

(b) NNSA APPROPRIATIONS.—In addition to amounts otherwise available, there are appropriated to the Administrator of the National Nuclear Security Administration for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $200,000,000 to perform National Nuclear Security Administration Phase 1 studies pursuant to section 3211 of the National Nuclear Security Administration Act (50 U.S.C. 2401);

(2) $540,000,000 to address deferred maintenance and repair needs of the National Nuclear Security Administration pursuant to section 3211 of the National Nuclear Security Administration Act (50 U.S.C. 2401);

(3) $1,000,000,000 to accelerate the construction of National Nuclear Security Administration facilities pursuant to section 3211 of the National Nuclear Security Administration Act (50 U.S.C. 2401);

(4) $400,000,000 to accelerate the development, procurement, and integration of the warhead for the nuclear-armed sea-launched cruise missile pursuant to section 3211 of the National Nuclear Security Administration Act (50 U.S.C. 2401);

(5) $500,000,000 to accelerate primary capability modernization pursuant to section 3211 of the National Nuclear Security Administration Act (50 U.S.C. 2401);

(6) $500,000,000 to accelerate secondary capability modernization pursuant to section 3211 of the National Nuclear Security Administration Act (50 U.S.C. 2401); and

(7) $100,000,000 to accelerate domestic uranium enrichment centrifuge deployment for defense purposes pursuant to section 3211 of the National Nuclear Security Administration Act (50 U.S.C. 2401).

SEC. 20009. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES TO IMPROVE CAPABILITIES OF UNITED STATES INDO-PACIFIC COMMAND.

In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $365,000,000 for Army exercises and operations in the Western Pacific area of operations;

(2) $53,000,000 for Special Operations Command exercises and operations in the Western Pacific area of operations;

(3) $47,000,000 for Marine Corps exercises and operations in Western Pacific area of operations;

(4) $90,000,000 for Air Force exercises and operations in Western Pacific area of operations;

(5) $532,600,000 for the Pacific Air Force biennial large-scale exercise;

(6) $19,000,000 for the development of naval small craft capabilities;

(7) $35,000,000 for military additive manufacturing capabilities in the United States Indo-Pacific Command area of operations west of the international dateline;

(8) $450,000,000 for the development of airfields within the area of operations of United States Indo-Pacific Command;

(9) $1,100,000,000 for development of infrastructure within the area of operations of United States Indo-Pacific Command;

(10) $124,000,000 for mission networks for United States Indo-Pacific Command;

(11) $100,000,000 for Air Force regionally based cluster preposition base kits;

(12) $25,000,000 to explore the revitalization of existing Arctic naval infrastructure;

(13) $90,000,000 for the accelerated development of non-kinetic capabilities;

(14) $20,000,000 for military exercises with Taiwan;

(15) $23,000,000 for anti-submarine sonar arrays;

(16) $30,000,000 for intelligence, surveillance, and reconnaissance capabilities for United States Africa Command;

(17) $30,000,000 for intelligence, surveillance, and reconnaissance capabilities for United States Indo-Pacific Command;

(18) $400,000,000 for the development, coordination, and deployment of economic competition effects within the Department of Defense;

(19) $10,000,000 for the expansion of Department of Defense workforce for economic competition;

(20) $1,000,000,000 for offensive cyber operations;

(21) $500,000,000 for the Joint Training Team;

(22) $300,000,000 for the procurement of mesh network communications capabilities for Special Operations Command Pacific;

(23) $850,000,000 for activities to protect United States interests and deter Chinese Communist Party aggression through provision of military support and assistance to the military, central government security forces, and central government security agencies of Taiwan;

(24) $200,000,000 for acceleration of Guam Defense System program;

(25) $4,029,000,000 for classified military space superiority programs;

(26) $68,000,000 for Space Force facilities improvements;

(27) $100,000,000 for ground moving target indicator military satellites; and

(28) $528,000,000 for DARC and SILENTBARKER military space situational awareness programs.

SEC. 20010. ENHANCEMENT OF DEPARTMENT OF DEFENSE RESOURCES FOR IMPROVING THE READINESS OF THE ARMED FORCES.

In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $1,400,000,000 for a pilot program on OPN-8 maritime spares and repair rotable pool;

(2) $700,000,000 for a pilot program on OPN-8 maritime spares and repair rotable pool for amphibious ships;

(3) $2,118,000,000 for readiness packages to keep Air Force aircraft mission capable;

(4) $1,500,000,000 for Army depot modernization and capacity enhancement;

(5) $2,000,000,000 for Navy depot and shipyard modernization and capacity enhancement;

(6) $250,000,000 for Air Force depot modernization and capacity enhancement;

(7) $1,391,000,000 for the enhancement of Special Operations Command equipment and readiness;

(8) $500,000,000 for National Guard unit readiness;

(9) $400,000,000 for Marine Corps readiness and capabilities;

(10) $20,000,000 for upgrades to Marine Corps utility helicopters;

(11) $310,000,000 for next-generation vertical lift, assault, and intra-theater aeromedical evacuation aircraft;

(12) $75,000,000 for the procurement of anti-lock braking systems for Army wheeled transport vehicles;

(13) $230,000,000 for the procurement of Army wheeled combat vehicles;

(14) $63,000,000 for the development of advanced rotary-wing engines;

(15) $241,000,000 for the development, procurement, and integration of Marine Corps amphibious vehicles;

(16) $250,000,000 for the procurement of Army tracked combat transport vehicles; and

(17) $98,000,000 for the enhancement of Army light rotary-wing capabilities.

SEC. 20011. IMPROVING DEPARTMENT OF DEFENSE BORDER SUPPORT AND COUNTER-DRUG MISSIONS.

In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029, $5,000,000,000 for activities in sup-

port of border operations, including deployment of military personnel, operations and maintenance, counter-narcotics and counter-transnational criminal organization mission support, the operation of and construction in national defense areas, the temporary detention of migrants on Department of Defense installations, and the repatriation of persons in support of law enforcement activities, pursuant to sections 272, 277, 284, and 2672 of title 10, United States Code.

SEC. 20012. ENHANCEMENT OF MILITARY INTELLIGENCE PROGRAMS.

In addition to amounts otherwise available, there are appropriated to the Secretary of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029, $2,000,000,000 for the enhancement of military intelligence programs.

SEC. 20013. DEPARTMENT OF DEFENSE OVERSIGHT.

(a) OFFICE OF THE SECRETARY OF DEFENSE.—In addition to amounts otherwise available, there is appropriated to the Inspector General of the Department of Defense for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $10,000,000, to remain available through September 30, 2029, to carry out this section.

(b) OVERSIGHT OF PROGRAMS.—The Inspector General shall monitor Department of Defense activities for which funding is appropriated in this title, including—

(1) programs with mutual technological dependencies;

(2) programs with related data management and data ownership considerations;

(3) programs particularly vulnerable to supply chain disruptions and long lead time components; and

(4) programs involving classified matters.

(c) CLASSIFIED MATTERS.—Not later than 30 days after the date of the enactment of this title, the Chairs of the Committees on Armed Services of the Senate and House of Representatives shall jointly transmit to the Department of Defense a classified memorandum regarding amounts made available in this title related to classified matters.

SEC. 20014. MILITARY CONSTRUCTION PROJECTS AUTHORIZED.

(a) AUTHORIZATION OF APPROPRIATIONS.—Funds are hereby authorized to be appropriated for military construction, land acquisition, and military family housing functions of each military department (as defined in section 101(a) of title 10, United States Code) as specified in this title.

(b) SPENDING PLAN.—Not later than 30 days after the date of the enactment of this title, the Secretary of each military department shall submit to the congressional defense committees (as defined in section 101(a) of title 10, United States Code) a detailed spending plan by project for all funds made available by this title to be expended on military construction projects.

SEC. 20015. PLAN REQUIRED.

(a) IN GENERAL.—Not later than 45 days after the date of the enactment of this title, the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and the House of

Representatives a spending, expenditure, or operating plan for amounts made available pursuant to this title. Such plan shall include the same level of detail as required for the report submitted under section 8007 of division A of the Further Consolidated Appropriations Act, 2024 (Public Law 118–47; 138 Stat. 482).

(b) EXPENDITURE REPORT.—Not later than one year after the date of enactment of this title, and annually thereafter, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representative a report that includes a description of any expenditures made pursuant to the plan required under subsection (a).

SEC. 20016. LIMITATION ON AVAILABILITY OF FUNDS.

The funds made available under this title may not be used to enter into any agreement under which any payment of such funds could be outlaid or disbursed after September 30, 2034.

TITLE III—COMMITTEE ON EDUCATION AND WORKFORCE

Subtitle A—Student Eligibility

SEC. 30001. STUDENT ELIGIBILITY.

(a) IN GENERAL.—Section 484(a)(5) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(5)) is amended to read as follows:

"(5) be—

"(A) a citizen or national of the United States;

"(B) an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.);

"(C) an alien who—

"(i) is a citizen or national of the Republic of Cuba;

"(ii) is the beneficiary of an approved petition under section 203(a) of the Immigration and Nationality Act (8 U.S.C. 1153(a));

"(iii) meets all eligibility requirements for an immigrant visa but for whom such a visa is not immediately available;

"(iv) is not otherwise inadmissible under section 212(a) of such Act (8 U.S.C. 8 U.S.C. 1182(a)); and

"(v) is physically present in the United States pursuant to a grant of parole in furtherance of the commitment of the United States to the minimum level of annual legal migration of Cuban nationals to the United States specified in the U.S.-Cuba Joint Communiqué on Migration, done at New York September 9, 1994, and reaffirmed in the Cuba-United States: Joint Statement on Normalization of Migration, Building on the Agreement of September 9, 1994, done at New York May 2, 1995;

"(D) an alien described in section 401(a) of the Additional Ukraine Supplemental Appropriations Act, 2022 (Public Law 117-128; 8 U.S.C. 1101 note);

"(E) an alien described in section 2502(a) of the Afghanistan Supplemental Appropriations Act, 2022 (division C of Public Law 117-43; 8 U.S.C. 1101 note); or

"(F) an individual who lawfully resides in the United States in accordance with a Compact of Free Association referred to in section 402(b)(2)(G) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(b)(2)(G)); and".

(b) EFFECTIVE DATE AND APPLICATION.—The amendment made by subsection (a) shall take effect on July 1, 2025, and shall apply with respect to award year 2025–2026 and each subsequent award year, as determined under the Higher Education Act of 1965.

SEC. 30002. AMOUNT OF NEED; COST OF ATTENDANCE; MEDIAN COST OF COLLEGE.

(a) AMOUNT OF NEED.—Section 471 of the Higher Education Act of 1965 (20 U.S.C. 1087kk) is amended by amending paragraph (1) to read as follows:

"(1)(A) for award year 2025–2026, the cost of attendance of such student; or

"(B) for award year 2026–2027, and each subsequent award year, the median cost of college of the program of study of such student, minus".

(b) COST OF ATTENDANCE OF A PROGRAM OF STUDY.—

(1) DETERMINATION OF COST OF ATTENDANCE OF A PROGRAM OF STUDY.—

(A) IN GENERAL.—Section 472(a) of the Higher Education Act of 1965 (20 U.S.C. 1087ll(a)) is amended—

(i) in paragraph (1), by striking "carrying the same academic workload" and inserting "enrolled in the same program of study";

(ii) in paragraph (2), by striking "same course of study" and inserting "same program of study"; and

(iii) in paragraph (14), by striking "program" and inserting "program of study".

(B) EFFECTIVE DATE.—The amendments made by subparagraph (A) shall take effect on July 1, 2026, and shall apply with respect to award year 2026–2027 and each subsequent award year, as determined under the Higher Education Act of 1965.

(2) DISCLOSURE.—Section 472(c) of the Higher Education Act of 1965 (20 U.S.C. 1087ll(c)) is amended—

(A) by inserting "of each program of study at the institution" after "cost of attendance"; and

(B) by striking "of the institution" and inserting "of such programs of study at the institution".

(c) DETERMINATION OF MEDIAN COST OF COLLEGE.—Part F of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087kk) is amended by inserting after section 472 (as so amended), the following:

"SEC. 472A. DETERMINATION OF MEDIAN COST OF COLLEGE.

"(a) IN GENERAL.—For the purpose of this title, the term 'median cost of college', when used with respect to a program of study, offered by one or more institutions of higher education for an award

year, means the median of the cost of attendance of the program of study (as determined under section 472) across all institutions of higher education offering such a program of study for the preceding award year.

"(b) PROGRAM OF STUDY DEFINED.—In this section and section 472, and part D:

"(1) IN GENERAL.—The term 'program of study'—

"(A) means an eligible program at an institution of higher education that is classified by a combination of—

"(i) one or more CIP codes; and

"(ii) one credential level, determined by the credential awarded upon completion of the program; and

"(B) does not include a program of study abroad.

"(2) CIP CODE.—The term 'CIP code' means the six-digit taxonomic identification code assigned by an institution of higher education to a specific program of study at the institution, determined by the institution of higher education in accordance with the Classification of Instructional Programs published by the National Center for Education Statistics.

"(3) CREDENTIAL LEVEL.—

"(A) IN GENERAL.—The term 'credential level' means the level of the degree or other credential awarded by an institution of higher education to students who complete a program of study of the institution. Each degree or other credential awarded by an institution shall be categorized by the institution as either undergraduate credential level or graduate credential level.

"(B) UNDERGRADUATE CREDENTIAL.—When used with respect to a credential or credential level, the term 'undergraduate credential' includes credentials such as an undergraduate certificate, an associate degree, a bachelor's degree, and a post-baccalaureate certificate (including the coursework specified in paragraphs (3)(B) and (4)(B) of section 484(b)).

"(C) GRADUATE CREDENTIAL.—When used with respect to a credential or credential level, the term 'graduate credential' includes credentials such as a master's degree, a doctoral degree, a professional degree, and a postgraduate certificate.".

(d) EXEMPTION OF CERTAIN ASSETS.—

(1) IN GENERAL.—Section 480(f)(2) of the Higher Education Act of 1965 (20 U.S.C. 1087vv(f)(2)) is amended—

(A) by striking "net value of the" and inserting the following: "net value of—

"(A) the";

(B) by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following:

"(B) a family farm on which the family resides; or

"(C) a small business with not more than 100 full-time or full-time equivalent employees (or any part of such a small business) that is owned and controlled by the family.".

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect on July 1, 2026, and shall apply with respect to award year 2026–2027 and each subsequent award year, as determined under the Higher Education Act of 1965.

Subtitle B—Loan Limits

SEC. 30011. LOAN LIMITS.

(a) TERMINATIONS OF AND RESTRICTIONS ON LOAN AUTHORITY.—

(1) TERMINATION OF AUTHORITY TO MAKE SUBSIDIZED LOANS TO UNDERGRADUATE STUDENTS.—Section 455(a)(3) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)(3)) is amended by adding at the end the following:

"(C) TERMINATION OF AUTHORITY TO MAKE SUBSIDIZED LOANS TO UNDERGRADUATE STUDENTS.—Notwithstanding any provision of this part or part B, except as provided in paragraph (4), for any period of instruction beginning on or after July 1, 2026—

"(i) an undergraduate student shall not be eligible to receive a Federal Direct Stafford loan under this part; and

"(ii) the maximum annual amount of Federal Direct Unsubsidized Stafford loans such a student may borrow in any academic year (as defined in section 481(a)(2)) or its equivalent shall be the maximum annual amount for such student determined under paragraph (5)).".

(2) TERMINATION OF AUTHORITY TO MAKE FEDERAL DIRECT PLUS LOANS TO ANY STUDENT BORROWER.—Section 455(a)(3) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)(3)) is further amended by adding at the end the following:

"(D) TERMINATION OF AUTHORITY TO MAKE FEDERAL DIRECT PLUS LOANS TO ANY STUDENT BORROWER.—Notwithstanding any provision of this part or part B, except as provided in paragraph (4), for any period of instruction beginning on or after July 1, 2026, a graduate student or professional student shall not be eligible to receive a Federal Direct PLUS Loan under this part.".

(3) RESTRICTION ON AUTHORITY TO MAKE FEDERAL DIRECT PLUS LOANS TO ANY PARENT BORROWER.—Section 455(a)(3) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)(3)) is further amended by adding at the end the following:

"(E) RESTRICTION ON AUTHORITY TO MAKE FEDERAL DIRECT PLUS LOANS TO ANY PARENT BORROWER.—

"(i) IN GENERAL.—Notwithstanding any provision of this part or part B, except as provided in clause (ii) and paragraph (4), for any period of instruction beginning on or after July 1, 2026, a parent, on behalf of a dependent student, shall not be eligible to receive a Federal Direct PLUS Loan under this part.

"(ii) EXCEPTION.—A parent may receive a Federal Direct PLUS Loan under this part, on behalf of a de-

pendent student, in any academic year (as defined in section 481(a)(2)) or its equivalent if—

"(I) such student borrows the maximum annual amount of Federal Direct Unsubsidized Stafford loans such student may borrow in such academic year; and

"(II) such maximum annual amount is less than the cost of attendance of the program of study of such student.".

(4) CONFORMING AMENDMENTS.—Section 455(a)(3) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)(3)) is further amended—

(A) in the paragraph heading, by striking "TERMINATION OF AUTHORITY TO MAKE INTEREST SUBSIDIZED LOANS TO GRADUATE AND PROFESSIONAL STUDENTS" and inserting "TERMINATIONS OF AND RESTRICTIONS ON LOAN AUTHORITY";

(B) in subparagraph (A)—

(i) in the heading, by striking "IN GENERAL" and inserting "TERMINATION OF AUTHORITY TO MAKE SUBSIDIZED LOANS TO GRADUATE AND PROFESSIONAL STUDENTS";

(ii) in the matter preceding clause (i), by striking "beginning on or after July 1, 2012";

(iii) in clause (i), by striking "a graduate" and inserting "beginning on or after July 1, 2012, a graduate"; and

(iv) in clause (ii), by striking "the maximum annual amount of Federal" and inserting "beginning on or after July 1, 2012, and ending June 30, 2026, the maximum annual amount of Federal"; and

(C) in subparagraph (B)—

(i) in the heading, by striking "EXCEPTION" and inserting "EXCEPTION FOR SUBSIDIZED LOANS TO INDIVIDUALS ENROLLED IN CERTAIN COURSE WORK".

(ii) by striking "Subparagraph (A)" and inserting "For any period of instruction beginning on or after July 1, 2012, and ending June 30, 2026, subparagraph (A)".

(b) INTERIM RULES FOR ENROLLED BORROWERS.—Section 455(a) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)) is amended by adding at the end the following:

"(4) INTERIM EXCEPTION FOR CERTAIN STUDENTS.—

"(A) APPLICATION OF PRIOR LIMITS.—Subparagraphs (C), (D), and (E) of paragraph (3), and paragraphs (5) and (6), shall not apply, during the expected time to credential described in subparagraph (B), with respect to an individual who, as of June 30, 2026—

"(i) is enrolled in a program of study at an institution of higher education; and

"(ii) has received a loan (or on whose behalf a loan was made) under this part for such program of study.

"(B) EXPECTED TIME TO CREDENTIAL.—For purposes of this paragraph, the expected time to credential of an individual shall be equal to the lesser of—

"(i) three academic years; or

"(ii) the period determined by calculating the difference between—

"(I) the program length (as defined in section 420W) for the program of study in which the individual is enrolled; and

"(II) the period of such program of study that such individual has completed as of the date of the determination under this subparagraph.".

(c) LOAN LIMITS FOR UNSUBSIDIZED LOANS AND CERTAIN FEDERAL DIRECT PLUS LOANS.—

(1) ANNUAL AND AGGREGATE UNSUBSIDIZED LOAN LIMITS.—Section 455(a) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)) is further amended by adding at the end the following:

"(5) ANNUAL AND AGGREGATE UNSUBSIDIZED LOAN LIMITS.—

"(A) UNDERGRADUATE STUDENTS.—

"(i) ANNUAL LOAN LIMITS.—Notwithstanding any provision of this part or part B, subject to subparagraph (C) and except as provided in paragraph (4), beginning on July 1, 2026, the maximum annual amount of Federal Direct Unsubsidized Stafford loans that an undergraduate student may borrow in any academic year (as defined in section 481(a)(2)) or its equivalent shall be the difference between—

"(I) the amount of the median cost of college of the program of study in which the student is enrolled; and

"(II) the amount of the Federal Pell Grant under section 401 awarded to the student for such academic year.

"(ii) AGGREGATE LIMITS.—Notwithstanding any provision of this part or part B, except as provided in paragraph (4), beginning on July 1, 2026, the maximum aggregate amount of Federal Direct Unsubsidized Stafford loans that a student may borrow for programs of study that award an undergraduate credential upon completion of such a program shall be $50,000.

"(B) GRADUATE AND PROFESSIONAL STUDENTS.—

"(i) ANNUAL LIMITS.—Notwithstanding any provision of this part or part B, subject to subparagraph (C) and except as provided in paragraph (4), beginning on July 1, 2026, the maximum annual amount of Federal Direct Unsubsidized Stafford loans that a graduate student or professional student may borrow in any academic year (as defined in section 481(a)(2)) or its equivalent shall be the amount of the median cost of college of the program of study in which the student is enrolled.

"(ii) AGGREGATE LIMITS.—Notwithstanding any provision of this part or part B, except as provided in paragraph (4), beginning on July 1, 2026, the maximum aggregate amount of Federal Direct Unsubsidized Stafford loans that, in addition to the maximum aggregate amount described in subparagraph (A)(ii)—

"(I) a graduate student—

"(aa) who is not (and has not been) a professional student, may borrow for programs of study described in subparagraph (D)(i) shall be $100,000; or

"(bb) who is (or has been) a professional student, may borrow for programs of study described in subparagraph (D)(i) shall be an amount equal to—

"(AA) $150,000, minus

"(BB) the amount such student borrowed for programs of study described in subclauses (I) and (II) of subparagraph (D)(ii); and

"(II) a professional student—

"(aa) who is not (and has not been) a graduate student, may borrow for programs of study described in subclauses (I) and (II) of subparagraph (D)(ii) shall be $150,000; or

"(bb) who is (or has been) a graduate student, may borrow for programs of study described in subclauses (I) and (II) of subparagraph (D)(ii) shall be an amount equal to—

"(AA) $150,000, minus

"(BB) the amount such student borrowed for programs of study described in subparagraph (D)(i).

"(C) LESS THAN FULL-TIME ENROLLMENT.—In any case where a student is enrolled in an program of study of an institution of higher education on less than a full-time basis during any academic year, the amount of a loan that student may borrow for an academic year (as defined in section 481(a)(2)) or its equivalent shall be reduced in direct proportion to the degree to which that student is not so enrolled on a full-time basis, rounded to the nearest whole percentage point, as provided in a schedule of reductions published by the Secretary computed for purposes of this paragraph.

"(D) DEFINITION.—For purposes of this subsection:

"(i) GRADUATE STUDENT.—The term 'graduate student' means a student enrolled in a program of study that awards a graduate credential (other than a professional degree) upon completion of the program.

"(ii) PROFESSIONAL STUDENT.—The term 'professional student' means a student enrolled in a program of study that—

"(I) awards a professional degree upon completion of the program; or

"(II) provides the training described in part 141 of title 14, Code of Federal Regulations (or any successor regulations).

"(iii) UNDERGRADUATE STUDENT.—The term 'undergraduate student' means a student enrolled in a program of study that awards an undergraduate credential upon completion of the program.".

(2) ANNUAL AND AGGREGATE FEDERAL DIRECT PLUS LOANS LIMITS FOR PARENT BORROWERS.—Section 455(a) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)) is further amended by adding at the end the following:

"(6) ANNUAL AND AGGREGATE FEDERAL DIRECT PLUS LOANS LIMITS FOR PARENT BORROWERS.—

"(A) ANNUAL LIMITS.—Notwithstanding any provision of this part or part B, subject to paragraph (3)(E) and except as provided in paragraph (4), beginning on July 1, 2026, the maximum annual amount of Federal Direct PLUS loans that a parent may borrow, on behalf of a dependent student, in any academic year (as defined in section 481(a)(2)) or its equivalent shall be the amount equal to—

"(i) the cost of attendance of the program of study of such student; minus

"(ii) the maximum annual amount of Federal Direct Unsubsidized Stafford loans such student may borrow in such academic year.

"(B) AGGREGATE LIMITS.—Notwithstanding any provision of this part or part B, subject to paragraph (3)(E) and except as provided in paragraph (4), beginning on July 1, 2026, the maximum aggregate amount of Federal Direct PLUS loans that a parent may borrow shall be $50,000, without regard to the number of dependent students on behalf of whom such parent borrows such a loan.".

(3) LIFETIME MAXIMUM AGGREGATE AMOUNT FOR ALL STUDENTS.—Section 455(a) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)) is further amended by adding at the end the following:

"(7) LIFETIME MAXIMUM AGGREGATE AMOUNT FOR ALL STUDENTS.—Notwithstanding any provision of this part or part B, except as provided in paragraph (4), beginning on July 1, 2026, the maximum aggregate amount of loans made, insured, or guaranteed under this title that a student may borrow, and that a parent may borrow on behalf of such student, shall be $200,000, without regard to any amounts repaid, forgiven, canceled, or otherwise discharged on any such loan.".

(4) INSTITUTIONALLY DETERMINED LIMITS.—Section 455(a) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)) is further amended by adding at the end the following:

"(8) INSTITUTIONALLY DETERMINED LIMITS.—Notwithstanding the annual loan limits described in subparagraphs (A)(i) and (B)(i) of paragraph (5) and subparagraph (A) of paragraph (6), beginning on July 1, 2026, an institution of higher education (at the discretion of a financial aid administrator at the insti-

tution) may limit the total amount of loans made under this part for a program of study for an academic year (as defined in section 481(a)(2)) that a student may borrow, and that a parent may borrow on behalf of such student, as long as any such limit is applied consistently to all students enrolled in such program of study.".

Subtitle C—Loan Repayment

SEC. 30021. LOAN REPAYMENT.

(a) TRANSITION TO INCOME-BASED REPAYMENT PLANS.—

(1) AUTHORITY TO TRANSITION TO INCOME-BASED REPAYMENT PLANS.—

(A) AUTHORITY TO CARRY OUT TRANSITION.—Beginning on the date of enactment of this title, the Secretary of Education shall take such steps as may be necessary to apply the repayment plan under section 493C of the Higher Education Act of 1965 (as amended by this title) to the loans of each borrower who, on the day before such date of enactment, is in a repayment status in accordance with, or an administrative forbearance associated with, an income-contingent repayment plan authorized under section 455(e) of the Higher Education Act of 1965 (as in effect on the day before the date of enactment of this title).

(B) DEADLINE FOR TRANSITION.—The Secretary shall complete the application of the repayment plan under section 493C to the loans described in paragraph (1) as soon as practicable, but not later than 9 months after the date of enactment of this title.

(2) LIMITATION OF REGULATORY AUTHORITY.—The Secretary may not establish, promulgate, issue, or modify any regulations or guidance with respect to any income-based repayment plan under the Higher Education Act of 1965, except that the Secretary may—

(A) during the 270-day period after the date of enactment of this title, issue an interim final rule as necessary for the application of the repayment plan under section 493C of such Act of 1965 in accordance with paragraph (1);

(B) during the 270-day period after the date of enactment of this title, issue an interim final rule as necessary to implement the amendments to such section 493C made by subsection (f) of this title; and

(C) during the 18-month period after the date of enactment of this title, issue an interim final rule as necessary to implement the income-based Repayment Assistance Program under section 455(q) of such Act of 1965 (as added by this title).

(3) WAIVER OF NEGOTIATED RULEMAKING.—Any guidance or regulations issued or modified in accordance with subparagraph (A) or (B) of paragraph (2) shall not be subject to negotiated rulemaking requirements under section 492 of the Higher Education Act of 1965 (20 U.S.C. 1098a).

(b) REPAYMENT PLANS.—Section 455(d) of the Higher Education Act of 1965 (20 U.S.C. 1087e(d)) is amended—

(1) in paragraph (1)—

(A) in the matter preceding subparagraph (A), by inserting "before July 1, 2026, who has not received a loan made under this part on or after July 1, 2026," after "made under this part";

(B) by amending subparagraph (D) to read as follows:

"(D) beginning on July 1, 2026, the income-based Repayment Assistance Plan under subsection (q), provided that—

"(i) the borrower is required to pay each outstanding loan of the borrower made under this part under such Repayment Assistance Plan;

"(ii) such Plan shall not be available to borrowers with an excepted loan (as defined in paragraph (7)); and

"(iii) the borrower may not change the borrower's selection of the Repayment Assistance Plan except in accordance with paragraph (7)(C).''; and

(C) in subparagraph (E)—

(i) by striking "that enables borrowers who have a partial financial hardship to make a lower monthly payment"; and

(ii) by striking "a Federal Direct Consolidation Loan, if the proceeds of such loan were used to discharge the liability on such Federal Direct PLUS Loan or a loan under section 428B made on behalf of a dependent student" and inserting "an excepted Consolidation Loan (as defined in section 493C(a)(2))";

(2) in paragraph (5), by amending subparagraph (B) to read as follows:

"(B) repay the loan pursuant to an income-based repayment plan under subsection (q) or section 493C, as applicable."; and

(3) by adding at the end the following:

"(6) TERMINATION AND LIMITATION OF REPAYMENT AUTHORITY.—

"(A) SUNSET OF REPAYMENT PLANS AVAILABLE BEFORE JULY 1, 2026.—Paragraphs (1) through (4) of this subsection shall only apply to loans made under this part before July 1, 2026.

"(B) PROHIBITIONS.—The Secretary may not, for any loan made under this part on or after July 1, 2026—

"(i) authorize a borrower of such a loan to repay such loan pursuant to a repayment plan that is not described in paragraph (7)(A); or

"(ii) carry out or modify a repayment plan that is not described in such paragraph.

"(7) REPAYMENT PLANS FOR LOANS MADE ON OR AFTER JULY 1, 2026.—

"(A) DESIGN AND SELECTION.—Beginning on July 1, 2026, the Secretary shall offer a borrower of a loan made under this part on or after such date (including such a bor-

rower who also has a loan made under this part before such date) two plans for repayment of the borrower's loans under this part, including principal and interest on such loans. The borrower shall be entitled to accelerate, without penalty, repayment on such loans. The borrower may choose—

"(i) a standard repayment plan—

"(I) with a fixed monthly repayment amount paid over a fixed period of time equal to the applicable period determined under subclause (II); and

"(II) with the applicable period of time for repayment determined based on the total outstanding principal of all loans of the borrower made under this part before, on, or after July 1, 2026, at the time the borrower is entering repayment under such plan, as follows—

"(aa) for a borrower with total outstanding principal of less than $25,000, a period of 10 years;

"(bb) for a borrower with total outstanding principal of not less than $25,000 and less than $50,000, a period of 15 years;

"(cc) for a borrower with total outstanding principal of not less than $50,000 and less than $100,000, a period of 20 years; and

"(dd) for a borrower with total outstanding principal of $100,000 or more, a period of 25 years; or

"(ii) the income-based Repayment Assistance Plan under subsection (q).

"(B) SELECTION BY SECRETARY.—If a borrower of a loan made under this part on or after July 1, 2026, does not select a repayment plan described in subparagraph (A), the Secretary shall provide the borrower with the standard repayment plan described in subparagraph (A)(i).

"(C) SELECTION AVAILABLE FOR EACH NEW LOAN; SELECTION APPLIES TO ALL OUTSTANDING LOANS.—Each time a borrower receives a loan made under this part on or after July 1, 2026, the borrower may select either the standard repayment plan under subparagraph (A)(i) or the Repayment Assistance Plan under subparagraph (A)(ii), provided that the borrower is required to pay each outstanding loan of the borrower made under this part under such selected repayment plan.

"(D) PERMISSIBLE CHANGES OF REPAYMENT PLAN.—

"(i) CHANGING FROM STANDARD REPAYMENT PLAN.—A borrower may change the borrower's selection of the standard repayment plan under subparagraph (A)(i), or the Secretary's selection of such plan for the borrower under subparagraph (C), as the case may be, to the Repayment Assistance Plan under subparagraph (A)(ii) at any time.

"(ii) LIMITED CHANGE FROM REPAYMENT ASSISTANCE PLAN.—A borrower may not change the borrower's se-

lection of the Repayment Assistance Plan under subparagraph (A)(ii), except in accordance with subparagraph (C).

"(E) SPECIAL RULE FOR EXCEPTED LOAN BORROWERS WITH LOANS MADE ON OR AFTER JULY 1, 2026.—

"(i) STANDARD REPAYMENT PLAN REQUIRED.—Notwithstanding subparagraphs (A) through (D), beginning on July 1, 2026, the Secretary shall require a borrower who has an excepted loan and who has received a loan made under this part on or after such date to repay each outstanding loan of the borrower made under this part, including principal and interest on such loans, under the standard repayment plan under subparagraph (A)(i). The borrower shall be entitled to accelerate, without penalty, repayment on such loans.

"(ii) EXCEPTED LOAN DEFINED.—For the purposes of this paragraph, the term 'excepted loan' means a loan with an outstanding balance that is—

"(I) a Federal Direct PLUS Loan that is made on behalf of a dependent student; or

"(II) a Federal Direct Consolidation Loan, if the proceeds of such loan were used to the discharge the liability on—

"(aa) an excepted PLUS loan, as defined in section 493C(a)(1); or

"(bb) an excepted consolidation loan (as such term is defined in section 493C(a)(2)(A), notwithstanding subparagraph (B) of such section).

"(F) TREATMENT OF BORROWERS WITHOUT LOANS MADE ON OR AFTER JULY 1, 2026.—A borrower who has an outstanding loan (including an excepted loan) made under this part before July 1, 2026, and who has not received a loan made under this part on or after July 1, 2026, shall not be eligible to change the borrower's selection of a repayment plan to the standard repayment plan under subparagraph (A)(i).".

(c) ELIMINATION OF AUTHORITY TO PROVIDE INCOME CONTINGENT REPAYMENT PLANS.—

(1) REPEAL.—Subsection (e) of section 455 the Higher Education Act of 1965 (20 U.S.C. 1087e(e)) is repealed.

(2) FURTHER AMENDMENTS TO ELIMINATE INCOME CONTINGENT REPAYMENT.—

(A) Section 428 of the Higher Education Act of 1965 (20 U.S.C. 1078) is amended—

(i) in subsection (b)(1)(D), by striking "be subject to income contingent repayment in accordance with subsection (m)" and inserting "be subject to income-based repayment in accordance with subsection (m)"; and

(ii) in subsection (m)—

(I) in the subsection heading, by striking "INCOME CONTINGENT AND";

(II) by amending paragraph (1) to read as follows:

"(1) AUTHORITY OF SECRETARY TO REQUIRE.—The Secretary may require borrowers who have defaulted on loans made under this part that are assigned to the Secretary under subsection (c)(8) to repay those loans pursuant to an income-based repayment plan under section 455(q) or section 493C, as applicable."; and

(III) in the heading of paragraph (2), by striking "INCOME CONTINGENT OR".

(B) Section 428C of the Higher Education Act of 1965 (20 U.S.C. 1078–3) is amended—

(i) in subsection (a)(3)(B)(i)(V)(aa), by striking "for the purposes of obtaining income contingent repayment or income-based repayment" and inserting "for the purposes of qualifying for an income-based repayment plan under section 455(q) or section 493C, as applicable";

(ii) in subsection (b)(5), by striking "be repaid either pursuant to income contingent repayment under part D of this title, pursuant to income-based repayment under section 493C, or pursuant to any other repayment provision under this section" and inserting "be repaid pursuant to an income-based repayment plan under section 493C or any other repayment provision under this section"; and

(iii) in subsection (c)—

(I) in paragraph (2)(A), by striking "or by the terms of repayment pursuant to income contingent repayment offered by the Secretary under subsection (b)(5)" and inserting "or by the terms of repayment pursuant to an income-based repayment plan under section 493C"; and

(II) in paragraph (3)(B), by striking "except as required by the terms of repayment pursuant to income contingent repayment offered by the Secretary under subsection (b)(5)" and inserting "except as required by the terms of repayment pursuant to an income-based repayment plan under section 493C".

(C) Section 485(d)(1) of the Higher Education Act of 1965 (20 U.S.C. 1092(d)(1)) is amended by striking "income-contingent and".

(D) Section 494(a)(2) of the Higher Education Act of 1965 (20 U.S.C. 1098h(a)(2)) is amended—

(i) in the paragraph heading, by striking "INCOME-CONTINGENT AND INCOME-BASED" and inserting "INCOME-BASED";

(ii) in subparagraph (A)—

(I) in the matter preceding clause (i), by striking "income-contingent or"; and

(II) in clause (ii)(I), by inserting "(as in effect on the day before the date of repeal of subsection (e) of section 455)" after "section 455(e)(8)".

(d) REPAYMENT ASSISTANCE PLAN.—Section 455 of the Higher Education Act of 1965 (20 U.S.C. 1087e) is amended by adding at the end the following new subsection:

"(q) REPAYMENT ASSISTANCE PLAN.—

"(1) IN GENERAL.—Notwithstanding any other provision of this Act, beginning on July 1, 2026, the Secretary shall carry out an income-based repayment plan (to be known as the 'Repayment Assistance Plan'), that shall have the following terms and conditions:

"(A) The total monthly repayment amount owed by a borrower for all of the loans of the borrower that are repaid pursuant to the Repayment Assistance Plan shall be equal to the applicable monthly payment of a borrower calculated under paragraph (3)(B), except that the borrower may not be precluded from repaying an amount that exceeds such amount for any month.

"(B) The Secretary shall apply the borrower's applicable monthly payment under this paragraph first toward interest due on each such loan, next toward any fees due on each loan, and then toward the principal of each loan.

"(C) Any principal due and not paid under subparagraph (B) or paragraph (2)(B) shall be deferred.

"(D) A borrower who is not in a period of deferment or forbearance shall make an applicable monthly payment for each month until the earlier of—

"(i) the date on which the outstanding balance of principal and interest due on all of the loans of the borrower that are repaid pursuant to the Repayment Assistance Plan is $0; or

"(ii) the date on which the borrower has made 360 qualifying monthly payments.

"(E) The Secretary shall repay or cancel any outstanding balance of principal and interest due on a loan made under this part to a borrower—

"(i) who, for any period of time, participated in the Repayment Assistance Plan under this subsection;

"(ii) whose most recent payment for such loan prior to the loan cancellation under this subparagraph was made under such Repayment Assistance Plan; and

"(iii) who has made 360 qualifying monthly payments on such loan.

"(F) For the purposes of this subsection, the term 'qualifying monthly payment' means any of the following:

"(i) An on-time applicable monthly payment under this subsection.

"(ii) An on-time monthly payment under the standard repayment plan under subsection (d)(7)(A)(i) of not less than the monthly payment required under such plan.

"(iii) A monthly payment under any repayment plan of not less than the monthly payment that would be required under a standard repayment plan under section 455(d)(1)(A) with a repayment period of 10 years.

"(iv) A monthly payment under section 493C of not less than the monthly payment required under such section, including a monthly payment equal to the minimum payment amount permitted under such section.

"(v) A monthly payment made before the date of enactment of this subsection under an income-contingent repayment plan carried out under section 455(d)(1)(D) (or under an alternative repayment plan in lieu of repayment under such an income-contingent repayment plan, if placed in such an alternative repayment plan by the Secretary) of not less than the monthly payment required under such a plan, including a monthly payment equal to the minimum payment amount permitted under such a plan.

"(vi) A month when the borrower did not make a payment because the borrower was in deferment due to an economic hardship described in section 435(o).

"(vii) A month that ended before the date of enactment of this subsection when the borrower did not make a payment because the borrower was in a period deferment or forbearance described in section 685.209(k)(4)(iv) of title 34, Code of Federal Regulations (as in effect on the date of enactment of this subsection).

"(G) With respect to carrying out section 494(a)(2) for the Repayment Assistance Plan, an individual may elect to opt out of the disclosures required under section 494(a)(2)(A)(ii) in accordance with the procedures established under section 493C(c)(2)(B).

"(2) BALANCE ASSISTANCE FOR DISTRESSED BORROWERS.—

"(A) INTEREST SUBSIDY.—With respect to a borrower of a loan made under this part, for each month for which such a borrower makes an on-time applicable monthly payment required under paragraph (1)(A) and such monthly payment is insufficient to pay the total amount of interest that accrues for the month on all loans of the borrower repaid pursuant to the Repayment Assistance Plan under this subsection, the amount of interest accrued and not paid for the month shall not be charged to the borrower.

"(B) MATCHING PRINCIPAL PAYMENT.—With respect to a borrower of a loan made under this part and not in a period of deferment or forbearance, for each month for which a borrower makes an on-time applicable monthly payment required under paragraph (1)(A) and such monthly payment reduces the total outstanding principal balance of all loans of the borrower repaid pursuant to the Repayment Assistance Plan under this subsection by less than $50, the Secretary shall reduce such total outstanding principal balance of the borrower by an amount that is equal to—

"(i) the amount that is the lesser of—

"(I) $50; or

"(II) the total amount paid by the borrower for such month pursuant to paragraph (1)(A), minus

"(ii) the total amount paid by the borrower for such month pursuant to paragraph (1)(A) that is applied to such total outstanding principal balance.

"(3) DEFINITIONS.—In this paragraph:

"(A) ADJUSTED GROSS INCOME.—The term 'adjusted gross income', when used with respect to a borrower, means the adjusted gross income (as such term is defined in section 62 of the Internal Revenue Code of 1986) of the borrower (and the borrower's spouse, as applicable) for the most recent taxable year, except that, in the case of a married borrower who files a separate Federal income tax return, the term does not include the adjusted gross income of the borrower's spouse.

"(B) APPLICABLE MONTHLY PAYMENT.—

"(i) IN GENERAL.—Except as provided in clause (ii) or (iii), the term 'applicable monthly payment' means, when used with respect to a borrower, the amount equal to—

"(I) the applicable base payment of the borrower, divided by 12; minus

"(II) $50 for each dependent child of the borrower.

"(ii) MINIMUM AMOUNT.—In the case of a borrower with an applicable monthly payment amount calculated under clause (i) that is less than $10, the applicable monthly payment of the borrower shall be $10.

"(iii) FINAL PAYMENT.—In the case of a borrower whose total outstanding balance of principal and interest on all of the loans of the borrower that are repaid pursuant to the Repayment Assistance Plan is less than the applicable monthly payment calculated pursuant to clause (i) or (ii), as applicable, then the applicable monthly payment of the borrower shall be the total outstanding balance of principal and interest on all such loans.

"(iv) BASE PAYMENT.—The amount of the applicable base payment for a borrower with an adjusted gross income of—

"(I) not more than $10,000, is $120;

"(II) more than $10,000 and not more than $20,000, is 1 percent of such adjusted gross income;

"(III) more than $20,000 and not more than $30,000, is 2 percent of such adjusted gross income;

"(IV) more than $30,000 and not more than $40,000, is 3 percent of such adjusted gross income;

"(V) more than $40,000 and not more than $50,000, is 4 percent of such adjusted gross income;

"(VI) more than $50,000 and not more than $60,000, is 5 percent of such adjusted gross income;

"(VII) more than $60,000 and not more than $70,000, is 6 percent of such adjusted gross income;

"(VIII) more than $70,000 and not more than $80,000, is 7 percent of such adjusted gross income;

"(IX) more than $80,000 and not more than $90,000, is 8 percent of such adjusted gross income;

"(X) more than $90,000 and not more than $100,000, is 9 percent of such adjusted gross income; and

"(XI) more than $100,000, is 10 percent of such adjusted gross income.

"(v) DEPENDENT CHILD OF THE BORROWER.—For the purposes of this paragraph, the term 'dependent child of the borrower' means an individual who—

"(I) is under 17 years of age; and

"(II) is the borrower's dependent child or another person who lives with and receives more than one-half of their support from the borrower.".

(e) FEDERAL CONSOLIDATION LOANS.—Section 455(g) of the Higher Education Act of 1965 (20 U.S.C. 1087e(g)) is amended by adding at the end the following new paragraph:

"(3) CONSOLIDATION LOANS MADE ON OR AFTER JULY 1, 2026.—Notwithstanding subsections (b)(5), (c)(2), and (c)(3)(A) and (B) of section 428C, a Federal Direct Consolidation Loan offered to a borrower under this part on or after July 1, 2026, may only be repaid pursuant to a repayment plan described in subsection (d)(7)(A)(i) or (ii) of this section, as applicable, and the repayment schedule of such a Consolidation Loan shall be determined in accordance with such repayment plan.".

(f) INCOME-BASED REPAYMENT.—

(1) AMENDMENTS.—

(A) EXCEPTED CONSOLIDATION LOAN DEFINED.—Section 493C(a)(2) of the Higher Education Act of 1965 (20 U.S.C. 1098e(a)(2)) is amended to read as follows:

"(2) EXCEPTED CONSOLIDATION LOAN.—

"(A) IN GENERAL.—The term 'excepted consolidation loan' means—

"(i) a consolidation loan under section 428C, or a Federal Direct Consolidation Loan, if the proceeds of such loan were used to the discharge the liability on an excepted PLUS loan; or

"(ii) a consolidation loan under section 428C, or a Federal Direct Consolidation Loan, if the proceeds of such loan were used to discharge the liability on a consolidation loan under section 428C or a Federal Direct Consolidation Loan described in clause (i).

"(B) EXCLUSION.—The term 'excepted consolidation loan' does not include a Federal Direct Consolidation Loan de-

scribed in subparagraph (A) that (on the day before the date of enactment of this subparagraph) was being repaid pursuant to the Income-Contingent Repayment (ICR) plan in accordance with section 685.209(a) of title 34, Code of Federal Regulations (as in effect on June 30, 2023).".

(B) TERMS OF INCOME-BASED REPAYMENT.—Section 493C(b) of the Higher Education Act of 1965 (20 U.S.C. 1098e(b)) is amended—

(i) by amending paragraph (1) to read as follows:

"(1) a borrower of any loan made, insured, or guaranteed under part B or D (other than an excepted PLUS loan or excepted consolidation loan), may elect to have the borrower's aggregate monthly payment for all such loans not exceed the result described in subsection (a)(3)(B) divided by 12;";

(ii) in paragraph (3)—

(I) in subparagraph (B)—

(aa) in clause (i)—

(AA) by striking subclause (II); and

(BB) by striking "the borrower" and all the follows through "ends" and inserting "the borrower ends"; and

(bb) in clause (ii)—

(AA) by striking subclause (II);

(BB) by striking "the borrower" and all the follows through "ends" and inserting "the borrower ends"; and

(CC) by striking "or" at the end;

(iii) by repealing paragraph (6);

(iv) in paragraph (7)(B)—

(I) in the matter preceding clause (i), by striking "for a period of time prescribed by the Secretary, not to exceed 25 years" and inserting the following: "for 25 years (in the case of a borrower who is repaying at least one loan for a program of study for which a graduate credential (as defined in section 472A)) is awarded, or, for 20 years (in the case of a borrower who is not repaying at least one such loan)";

(II) in clause (i), by inserting "(as such paragraph was in effect on the day before the date of the repeal of paragraph (6))" after "paragraph (6)"; and

(III) in clause (iv), by inserting "(as such section was in effect on the day before the date of the repeal of paragraph (6))" after "section 455(d)(1)(D)"; and

(v) in paragraph (8), by striking "standard repayment plan" and inserting "standard repayment plan under section 428(b)(9)(A)(i) or 455(d)(1)(A), or the Repayment Assistance Program under section 455(q)".

(C) ELIGIBILITY DETERMINATIONS.—Section 493C(c)(2) of the Higher Education Act of 1965 (20 U.S.C. 1098e(c)(2)) is further amended—

(i) in subparagraph (A), by inserting "(as in effect on the day before the date of repeal of subsection (e) of section 455)" after "section 455(e)(1)"; and

(ii) in subparagraph (B), by inserting "(as in effect on the day before the date of repeal of subsection (e) of section 455)" after "section 455(e)(8)".

(D) TERMINATION OF SPECIAL TERMS FOR NEW BORROWERS ON AND AFTER JULY 1, 2014.—Section 493C of the Higher Education Act of 1965 (20 U.S.C. 1098e(e)) is further amended by striking subsection (e).

(2) EFFECTIVE DATE AND APPLICATION.—The amendments made by this subsection shall take effect on the date of enactment of this title, and shall apply with respect to any borrower who is in repayment before, on, or after the date of enactment of this title.

SEC. 30022. DEFERMENT; FORBEARANCE.

(a) HEADING AMENDMENT.—Section 455(f) of the Higher Education Act of 1965 (20 U.S.C. 1087e(f)) is amended by striking the subsection heading and inserting the following: "DEFERMENT; FORBEARANCE".

(b) SUNSET OF ECONOMIC HARDSHIP AND UNEMPLOYMENT DEFERMENTS.—Section 455(f) of the Higher Education Act of 1965 (20 U.S.C.1087e(f)) is amended—

(1) in paragraph (2)—

(A) in subparagraph (B), by striking "not in" and inserting "subject to paragraph (7), not in"; and

(B) in subparagraph (D), by striking "not in" and inserting "subject to paragraph (7), not in"; and

(2) by adding at the end the following:

"(7) SUNSET OF UNEMPLOYMENT AND ECONOMIC HARDSHIP DEFERMENTS.—A borrower who receives a loan made under this part on or after July 1, 2025, shall not be eligible to defer such loan under subparagraph (B) or (D) of paragraph (2).".

(c) FORBEARANCE ON LOANS MADE UNDER THIS PART ON OR AFTER JULY 1, 2025.—Section 455(f) of the Higher Education Act of 1965 (20 U.S.C. 1087e(f)) is amended by adding at the end the following:

"(8) FORBEARANCE ON LOANS MADE UNDER THIS PART ON OR AFTER JULY 1, 2025.—A borrower who receives a loan made under this part on or after July 1, 2025—

"(A) may only be eligible for a forbearance on such loan pursuant to section 428(c)(3)(B) that does not exceed 9 months during any 24-month period; and

"(B) in the case of a borrower who is serving in a medical or dental internship or residency program (as such program is described in section 428(c)(3)(A)(i)(I)), may be eligible for a forbearance on such loan pursuant to 428(c)(3)(A)(i)(I), during which—

"(i) for the first 4 12-month intervals, interest shall not accrue; and

"(ii) for any subsequent 12-month interval, interest shall accrue.".

SEC. 30023. LOAN REHABILITATION.

(a) UPDATING LOAN REHABILITATION LIMITS.—

(1) FFEL AND DIRECT LOANS.—Section 428F(a)(5) of the Higher Education Act of 1965 (20 U.S.C. 1078–6(a)(5)) is amended by striking "one time" and inserting "two times".

(2) PERKINS LOANS.—Section 464(h)(1)(D) of the Higher Education Act of 1965 (20 U.S.C. 1087dd(h)(1)(D)) is amended by striking "once" and inserting "twice".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on the date of enactment of this Act, and shall apply with respect to any loan made, insured, or guaranteed under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

(b) MINIMUM MONTHLY PAYMENT AMOUNT.—Section 428F(a)(1)(B) of the Higher Education Act of 1965 (20 U.S.C. 1078–6(a)(1)(B)) is amended by adding at the end the following: "With respect a loan made under part D on or after July 1, 2025, a monthly payment amount described in subparagraph (A) may not be less than $10.".

SEC. 30024. PUBLIC SERVICE LOAN FORGIVENESS.

(a) REPAYMENT ASSISTANCE PLAN.—Section 455(m)(1)(A) of the Higher Education Act of 1965 (20 U.S.C. 1087e(m)(1)(A)) is amended—

(1) in clause (iii), by striking "; or" and inserting a semicolon;

(2) in clause (iv), by striking "; and" and inserting "(as in effect on the day before the date of the repeal of subsection (e) of this section); or"; and

(3) by adding at the end the following new clause:

"(v) on-time payments under the Repayment Assistance Plan under section 455(q); and".

(b) PUBLIC SERVICE JOB.—Section 455(m)(3)(B) of the Higher Education Act of 1965 (20 U.S.C. 1087e(m)(3)(B)) is amended—

(1) by redesignating clauses (i) and (ii) as subclauses (I) and (II), respectively, and adjusting the margins accordingly;

(2) by striking "The term" and inserting the following:

"(i) IN GENERAL.—The term"; and

(3) by adding at the end the following:

"(ii) EXCLUSION.—The term 'public service job' does not include time served in a medical or dental internship or residency program (as such program is described in section 428(c)(3)(A)(i)(I)) by an individual who, as of June 30, 2025, has not borrowed a Federal Direct PLUS Loan or a Federal Direct Unsubsidized Stafford Loan for a program of study that awards a graduate credential upon completion of such program.".

SEC. 30025. STUDENT LOAN SERVICING.

Paragraph (1) of section 458(a) of the Higher Education Act of 1965 (20 U.S.C. 1087h(a)(1)) is amended to read as follows:

"(1) ADDITIONAL MANDATORY FUNDS FOR FISCAL YEARS 2025 AND 2026.—For each of the fiscal years 2025 and 2026 there shall be available to the Secretary (in addition to any other amounts appropriated under any appropriations Act for admin-

istrative costs under this part and part B and out of any money in the Treasury not otherwise appropriated) funds to be obligated for administrative costs under this part and part B, including the costs of the direct student loan programs under this part, not to exceed $500,000,000 in each such fiscal year.".

Subtitle D—Pell Grants

SEC. 30031. ELIGIBILITY.

(a) FOREIGN INCOME AND FEDERAL PELL GRANT ELIGIBILITY.—

(1) ADJUSTED GROSS INCOME DEFINED.—Section 401(a)(2)(A) of the Higher Education Act of 1965 (20 U.S.C. 1070a(a)(2)(A)) is amended to read as follows:

"(A) the term 'adjusted gross income' means—

"(i) in the case of a dependent student, for the second tax year preceding the academic year—

"(I) the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of the student's parents; plus

"(II) the foreign income (as described in section 480(b)(5)) of the student's parents; and

"(ii) in the case of an independent student, for the second tax year preceding the academic year—

"(I) the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of the student (and the student's spouse, if applicable); plus

"(II) the foreign income (as described in section 480(b)(5)) of the student (and the student's spouse, if applicable);".

(2) SUNSET.—Section 401(b)(1)(D) of the Higher Education Act of 1965 (20 U.S.C. 1070a(b)(1)(D)) is amended by striking "A student" and inserting "For each academic year beginning before July 1, 2025, a student".

(3) CONFORMING AMENDMENT.—Section 479A(b)(1)(B) of the Higher Education Act of 1965 (20 U.S.C. 1087tt(b)(1)(B)) is amended—

(A) by striking clause (v); and

(B) by redesignating clauses (vi) and (vii) as clauses (v) and (vi), respectively.

(b) DEFINITION OF FULL TIME ENROLLMENT FOR FEDERAL PELL GRANT ELIGIBILITY.—Section 401(a)(2) of the Higher Education Act of 1965 (20 U.S.C. 1070a(a)(2)) is further amended—

(1) in subparagraph (E), by striking "and" after the semicolon;

(2) in subparagraph (F), by striking the period and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(G) notwithstanding section 481(a)(2)(A)(iii), the terms 'full time' and 'full-time' (except with respect to subsection (d)(4) when used as part of the term 'normal full-time workload') mean, with respect to a student enrolled in an undergraduate course of study, the student is expected to

complete at least 30 semester or trimester hours or 45 quarter credit hours (or the clock hour equivalent) in each academic year a student is enrolled in the course of study.".

(c) FEDERAL PELL GRANT INELIGIBILITY DUE TO A HIGH STUDENT AID INDEX.—Section 401(b)(1) of the Higher Education Act of 1965 (20 U.S.C. 1070a–1(b)(1)) is amended by adding at the end the following:

"(F) INELIGIBILITY OF STUDENTS WITH A HIGH STUDENT AID INDEX.—Notwithstanding subparagraphs (A) through (E), a student shall not be eligible for a Federal Pell Grant under this subsection for an academic year in which the student has a student aid index that equals or exceeds twice the amount of the total maximum Federal Pell Grant for such academic year.".

(d) NO FEDERAL PELL GRANT ELIGIBILITY FOR STUDENTS ENROLLED LESS THAN HALF TIME.—Section 401 of the Higher Education Act of 1965 (20 U.S.C. 1070a) is further amended—

(1) in subsection (b)—

(A) by striking "(2) LESS" and inserting "(2)(A) LESS"; and

(B) by inserting after subparagraph (A) (as so designated by subparagraph (A) of this subsection) the following new subparagraph:

"(B) LESS THAN HALF-TIME ENROLLMENT.—Notwithstanding subparagraph (A), a student who first receives a Federal Pell Grant on or after July 1, 2025, shall not be eligible for an award under this subsection for any academic year beginning after such date in which the student is enrolled in an eligible program of an institution of higher education on less than a half-time basis. The Secretary shall update the schedule of reductions described in subparagraph (A) in accordance with this subparagraph, including for students receiving the minimum Federal Pell Grant.";

(2) in subsection (c)(6)(A), by inserting ", and the eligibility requirement of enrollment on at least a half-time basis under subsection (b)(2)," after "(b)(1)"; and

(3) in subsection (d)(5)(A), by inserting "(and at least half time, in the case of a student who first receives a Federal Pell Grant under subsection (b) on or after July 1, 2025)" after "full time".

(e) EFFECTIVE DATE AND APPLICATION.—The amendments made by this section shall take effect on July 1, 2025, and shall apply with respect to award year 2025–2026 and each subsequent award year.

SEC. 30032. WORKFORCE PELL GRANTS.

(a) IN GENERAL.—Section 401 of the Higher Education Act of 1965 (20 U.S.C. 1070a) is amended by adding at the end the following:—

"(k) WORKFORCE PELL GRANT PROGRAM.—

"(1) IN GENERAL.—For the award year beginning on July 1, 2026, and each subsequent award year, the Secretary shall award grants (to be known as 'Workforce Pell Grants') to eligi-

ble students under paragraph (2) in accordance with this subsection.

"(2) ELIGIBLE STUDENTS.—To be eligible to receive a Workforce Pell Grant under this subsection for any period of enrollment, a student shall meet the eligibility requirements for a Federal Pell Grant under this section, except that the student—

"(A) shall be enrolled, or accepted for enrollment, in an eligible program under section 481(b)(3) (hereinafter referred to as an 'eligible workforce program'); and

"(B) may not—

"(i) be enrolled, or accepted for enrollment, in a program of study that leads to a graduate credential; or

"(ii) have attained such a credential.

"(3) TERMS AND CONDITIONS OF AWARDS.—The Secretary shall award Workforce Pell Grants under this subsection in the same manner and with the same terms and conditions as the Secretary awards Federal Pell Grants under this section, except that—

"(A) each use of the term 'eligible program' (except in subsections (b)(9)(A) and (d)(2)) shall be substituted by 'eligible workforce program under section 481(b)(3)'; and

"(B) a student who is eligible for a grant equal to less than the amount of the minimum Federal Pell Grant because the eligible workforce program in which the student is enrolled or accepted for enrollment is less than an academic year (in hours of instruction or weeks of duration) may still be eligible for a Workforce Pell Grant in an amount that is prorated based on the length of the program.

"(4) PREVENTION OF DOUBLE BENEFITS.—No eligible student described in paragraph (2) may concurrently receive a grant under both this subsection and—

"(A) subsection (b); or

"(B) subsection (c).

"(5) DURATION LIMIT.—Any period of study covered by a Workforce Pell Grant awarded under this subsection shall be included in determining a student's duration limit under subsection (d)(5).".

(b) PROGRAM ELIGIBILITY FOR WORKFORCE PELL GRANTS.—Section 481(b) of the Higher Education Act of 1965 (20 U.S.C. 1088(b)) is amended—

(1) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(2) by inserting after paragraph (2) the following:

"(3)(A) A program is an eligible program for purposes of the Workforce Pell Grant program under section 401(k) only if—

"(i) it is a program of at least 150 clock hours of instruction, but less than 600 clock hours of instruction, or an equivalent number of credit hours, offered by an eligible institution during a minimum of 8 weeks, but less than 15 weeks;

"(ii) it is not offered as a correspondence course, as defined in 600.2 of title 34, Code of Federal Regulations (as in effect on September 20, 2020);

"(iii) the Governor of a State, after consultation with the State board, determines that the program—

"(I) provides an education aligned with the requirements of high-skill, high-wage (as identified by the State pursuant to section 122 of the Carl D. Perkins Career and Technical Education Act (20 U.S.C. 2342)), or in-demand industry sectors or occupations;

"(II) meets the hiring requirements of potential employers in the sectors or occupations described in subclause (I);

"(III) either—

"(aa) leads to a recognized postsecondary credential that is stackable and portable across more than one employer; or

"(bb) with respect to students enrolled in the program—

"(AA) prepares such students for employment in an occupation for which there is only one recognized postsecondary credential; and

"(BB) provides such students with such a credential upon completion of such program; and

"(IV) prepares students to pursue 1 or more certificate or degree programs at 1 or more institutions of higher education (which may include the eligible institution providing the program), including by ensuring—

"(aa) that a student, upon completion of the program and enrollment in such a related certificate or degree program, will receive academic credit for the Workforce Pell program that will be accepted toward meeting such certificate or degree program requirements; and

"(bb) the acceptability of such credit toward meeting such certificate or degree program requirements; and

"(iv) after the Governor of such State makes the determination that the program meets the requirements under clause (iii), the Secretary determines that—

"(I) the program has been offered by the eligible institution for not less than 1 year prior to the date on which the Secretary makes a determination under this clause;

"(II) for each award year, the program has a verified completion rate of at least 70 percent, within 150 percent of the normal time for completion;

"(III) for each award year, the program has a verified job placement rate of at least 70 percent, measured 180 days after completion; and

"(IV) for each award year, the median value-added earnings (as defined in section 420W) of students who completed such program for the most recent year for which data is available exceeds the median total price (as defined in section 454(d)(3)(D)) charged to students in such award year.

"(B) In this paragraph:

"(i) The term 'eligible institution' means an institution of higher education (as defined in section 102), or any other entity that has entered into a program participation agree-

ment with the Secretary under section 487(a) (without regard to whether that entity is accredited by a national recognized accrediting agency or association), which has not been subject, during any of the preceding 3 years, to—

"(I) any suspension, emergency action, or termination under this title;

"(II) in the case of an institution of higher education, any adverse action by the institution's accrediting agency or association that revokes or denies accreditation for the institution; or

"(III) any final action by the State in which the institution or other entity holds its legal domicile, authorization, or accreditation that revokes the institution's or entity's license or other authority to operate in such State.

"(ii) The term 'Governor' means the chief executive of a State.

"(iii) The terms 'industry or sector partnership', 'in-demand industry sector or occupation', 'recognized postsecondary credential', and 'State board' have the meanings given such terms in section 3 of the Workforce Innovation and Opportunity Act.".

(c) STUDENT ELIGIBILITY.—Section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)) is amended by inserting "or, for purposes of section 401(k), at an entity (other than an institution of higher education) that meets the requirements of section 481(b)(3)(B)(i)" after "section 487".

(d) EFFECTIVE DATE; APPLICABILITY.—The amendments made by this section shall take effect on July 1, 2026, and shall apply with respect to award year 2026–2027 and each succeeding award year.

SEC. 30033. PELL SHORTFALL.

Section 401(b)(7)(A) of the Higher Education Act of 1965 (20 U.S.C. 1070a(b)(7)(A)) is amended—

(1) in clause (iii)—

(A) by striking "$2,170,000,000" and inserting "$5,351,000,000"; and

(B) by striking "and" at the end;

(2) in clause (iv)—

(A) by striking "$1,236,000,000" and inserting "$6,058,000,000"; and

(B) by striking " and each succeeding fiscal year." and inserting a semicolon; and

(3) by adding at the end the following:

"(v) $3,743,000,000 for fiscal year 2028; and

"(vi) $1,236,000,000 for each succeeding fiscal year.".

Subtitle E—Accountability

SEC. 30041. AGREEMENTS WITH INSTITUTIONS.

Section 454 of the Higher Education Act of 1965 (20 U.S.C. 1087d) is amended—

(1) in subsection (a)—

(A) in paragraph (5), by striking "and" after the semicolon;

(B) by redesignating paragraph (6) as paragraph (7); and

(C) by inserting after paragraph (5) the following new paragraph:

"(6) provide annual reimbursements to the Secretary in accordance with the requirements under subsection (d); and"; and

(2) by adding at the end the following new subsection:

"(d) REIMBURSEMENT REQUIREMENTS.—

"(1) ANNUAL REIMBURSEMENTS REQUIRED.—Beginning in award year 2028–2029, each institution of higher education participating in the direct student loan program under this part shall, for qualifying student loans, remit to the Secretary, at such time as the Secretary may specify, an annual reimbursement for each student cohort of the institution, based on the non-repayment balance of such cohort and calculated in accordance with paragraph (3).

"(2) STUDENT COHORTS.—

"(A) COHORTS ESTABLISHED.—For each institution of higher education participating in the direct student loan program under this part, the Secretary shall establish student cohorts, beginning with award year 2027–2028, as follows:

"(i) COMPLETING STUDENT COHORT.—For each program of study at such institution, a student cohort comprised of all students who received Federal financial assistance under this title and who completed such program during such award year.

"(ii) UNDERGRADUATE NON-COMPLETING STUDENT COHORT.—For such institution, a student cohort comprised of all students who received Federal financial assistance under this title, who were enrolled in the institution during the previous award year in a program of study leading to an undergraduate credential, and who at the time the cohort is established—

"(I) have not completed such program of study; and

"(II) are not enrolled at the institution in any program of study leading to an undergraduate credential.

"(iii) GRADUATE NON-COMPLETING STUDENT COHORT.—For each program of study leading to a graduate credential at such institution, a student cohort comprised of all students who received Federal financial assistance under this title, who were enrolled in such program during the previous award year, and who at the time the cohort is established—

"(I) have not completed such program of study; and

"(II) are not enrolled in such program.

"(B) QUALIFYING STUDENT LOAN.—For the purposes of this subsection, the term 'qualifying student loan' means a loan made under this part on or after July 1, 2027, that—

"(i) was made to a student included in a student cohort of an institution or to a parent on behalf of such a student;

"(ii) except in the case of a loan described in clause (i) or (ii) of subparagraph (C), is not included in any other student cohort of any institution of higher education;

"(iii) is not in—

"(I) a medical or dental internship or residency forbearance described in section 428(c)(3)(A)(i)(I), section 428B(a)(2), section 428H(a), or section 685.205(a)(3) of title 34, Code of Federal Regulations;

"(II) a graduate fellowship deferment described in section 455(f)(2)(A)(ii);

"(III) rehabilitation training program deferment described under section 455(f)(2)(A)(ii);

"(IV) an in-school deferment described under section 455(f)(2)(A)(i);

"(V) a cancer deferment described under section 455(f)(3);

"(VI) a military service deferment described under section 455(f)(2)(C); or

"(VII) a post-active duty student deferment described under section 493D; and

"(iv) is not in default.

"(C) SPECIAL CIRCUMSTANCES.—

"(i) MULTIPLE CREDENTIALS.—In the case of a student who completes two or more programs of study during the same award year, each qualifying student loan of the student shall be included in the student cohort for each of such program of study for such award year.

"(ii) TREATMENT OF CERTAIN CONSOLIDATION LOANS.—A Federal Direct Consolidation loan made under this title shall not be considered a qualifying student loan for a student cohort for an award year if all of the loans included in such consolidation loan are attributable to another student cohort.

"(iii) CONSOLIDATION AFTER INCLUSION IN A STUDENT COHORT.—If a qualifying student loan is consolidated into a consolidation loan under this title after such qualifying student loan has been included in a student cohort, the percentage of the consolidation loan that was attributable to such student cohort at the time of consolidation shall remain attributable to the student cohort for the life of the consolidation loan.

"(3) CALCULATION OF REIMBURSEMENT.—

"(A) REIMBURSEMENT PAYMENT FORMULA.—For each student cohort of an institution of higher education established under this subsection, the annual reimbursement for such cohort shall be equal to—

"(i) the reimbursement percentage for the cohort, determined in accordance with subparagraph (B); multiplied by

"(ii) the non-repayment balance for the cohort for the award year, determined in accordance with subparagraph (C).

"(B) REIMBURSEMENT PERCENTAGE.—The reimbursement percentage of a student cohort of an institution shall be determined by the Secretary when the cohort is established, shall remain constant for the life of the student cohort, and shall be determined as follows:

"(i) COMPLETING STUDENT COHORTS.—The reimbursement percentage of a completing student cohort shall be equal to the percentage determined by—

"(I) subtracting from one the quotient of—

"(aa) the median value-added earnings of students who completed such program of study in the most recent award year for which such earnings data is available; divided by

"(bb) the median total price charged to students included in such cohort; and

"(II) multiplying the difference determined under subclause (I) by 100.

"(ii) SPECIAL CIRCUMSTANCES FOR COMPLETING STUDENT COHORTS.—

"(I) HIGH-RISK COHORTS.—Notwithstanding clause (i), if the median value-added earnings of a completing student cohort under clause (i)(I)(aa) is negative, the reimbursement percentage of the student cohort shall be 100 percent.

"(II) LOW-RISK COHORTS.—Notwithstanding clause (i), if the median value-added earnings of a completing student cohort under clause (i)(I)(aa) exceeds the median total price of such cohort under clause (i)(I)(bb), the reimbursement percentage of the student cohort shall be 0 percent.

"(iii) NON-COMPLETING STUDENT COHORTS.—The reimbursement percentage of a non-completing student cohort shall be determined based on the most recent data available in the award year in which the cohort is established, and—

"(I) for an undergraduate non-completing student cohort, shall be equal to the percentage of undergraduate students who received Federal financial assistance under this title at such institution who—

"(aa) did not complete an undergraduate program of study at the institution within 150 percent of the program length of such program; or

"(bb) only in the case of a two-year institution, did not, within 6 years after first enrolling at the two-year institution, complete a program of study at a four-year institution for

which a bachelor's degree (or substantially similar credential) is awarded; and

"(II) for a graduate non-completing student cohort, shall be equal to the percentage of students who received Federal financial assistance under this title at the institution for the applicable graduate program of study and who did not complete such program of study within 150 percent of the program length.

"(C) NON-REPAYMENT LOAN BALANCE.—

"(i) IN GENERAL.—For each award year, the Secretary shall determine the non-repayment loan balance for such award year for each student cohort of an institution of higher education by calculating the sum of—

"(I) for loans in such cohort, the difference between the total amount of payments due from all borrowers on such loans during such year and the total amount of payments made by all such borrowers on such loans during such year; plus

"(II) the total amount of interest waived, paid, or otherwise not charged by the Secretary during such year under the income-based repayment plan described in section 455(q); plus

"(III) the total amount of principal and interest forgiven, cancelled, waived, discharged, repaid, or otherwise reduced by the Secretary under any act during such year that is not included in subclause (II) and was not discharged or forgiven under section 437(a), 428J, or section 455(m).

"(ii) SPECIAL CIRCUMSTANCES.—For the purpose of calculating the non-repayment loan balance of student cohorts under this paragraph, the Secretary shall—

"(I) for each qualifying student loan in a student cohort that is included in another student cohort because the student who borrowed such loan completed two or more programs of study during the same award year, the sum of the amounts described in subclauses (I) through (III) of clause (i) for such qualifying student loan shall be divided equally among each of the student cohorts in which such loan is included; and

"(II) for each consolidation loan in a student cohort—

"(aa) determine the percentage of the outstanding principal balance of the consolidation loan attributable to such student cohort—

"(AA) at the time of that loan was included in such cohort, in the case of a loan consolidated before inclusion in such cohort; or

"(BB) at the time of consolidation, in the case of a loan consolidated after inclusion in such cohort; and

"(bb) include in the calculations under clause (i) for such student cohort only the percentage of the sum of the amounts described in subclauses (I) through (III) of clause (i) for the consolidation loan for such year that is equal to the percentage of the consolidation loan determined under item (aa).

"(D) TOTAL PRICE.—With respect to a student who received Federal financial assistance under this title and who completes a program of study, the term 'total price' means the total amount, before Federal financial assistance under this title was applied, a student was required to pay to complete the program of study. A student's total price shall be calculated by the Secretary as the difference between—

"(i) the total amount of tuition and fees that were charged to such student before the application of any Federal financial assistance provided under this title; minus

"(ii) the total amount of grants and scholarships described in section 480(i) awarded to such student from non-Federal sources for such program of study.

"(4) NOTIFICATION AND REMITTANCE.—Beginning with the first award year for which reimbursements are required under this subsection, and for each succeeding award year, the Secretary shall—

"(A) notify each institution of higher education of the amounts and due dates of each annual reimbursement calculated under paragraph (3) for each student cohort of the institution within 30 days of calculating such amounts; and

"(B) require the institution to remit such payments within 90 days of such notification.

"(5) PENALTY FOR LATE PAYMENTS.—

"(A) THREE-MONTH DELINQUENCY.—If an institution fails to remit to the Secretary a reimbursement for a student cohort as required under this subsection within 90 days of receiving notification from the Secretary in accordance with paragraph (4), the institution shall pay to the Secretary, in addition to such reimbursement, interest on such reimbursement payment, at a rate that is the average rate applicable to the loans in such student cohort.

"(B) TWELVE-MONTH DELINQUENCY.—If an institution fails to remit to the Secretary a reimbursement for a student cohort as required under this subsection, plus interest owed in under subparagraph (A), within 12 months of receiving notification from the Secretary in accordance with paragraph (4), the institution shall be ineligible to make direct loans to any student enrolled in the program of study for which the institution has failed to make the reimbursement payments until such payment is made.

"(C) EIGHTEEN-MONTH DELINQUENCY.—If an institution fails to remit to the Secretary a reimbursement for a student cohort as required under this subsection, plus interest

owed under subparagraph (A), within 18 months of receiving notification from the Secretary in accordance with paragraph (4), the institution shall be ineligible to make direct loans or award Federal Pell Grants under section 401 to any student enrolled in the institution until such payment is made.

"(D) TWO-YEAR DELINQUENCY.—If an institution fails to remit to the Secretary a reimbursement for a student cohort as required under this subsection, plus interest owed under subparagraph (A), within 2 years of receiving notification from the Secretary in accordance with paragraph (4), the institution shall be ineligible to participate in any program under this title for a period of not less than 10 years.

"(6) RELIEF FOR VOLUNTARY CESSATION OF FEDERAL DIRECT LOANS FOR A PROGRAM OF STUDY.—The Secretary shall, upon the request of an institution that voluntarily ceases to make Federal Direct loans to students enrolled in a specific program of study, reduce the amount of the annual reimbursement owed by the institution for each student cohort associated with such program by 50 percent if the institution assures the Secretary that the institution will not make Federal Direct loans to any student enrolled in such program of study (or any substantially similar program of study, as determined by the Secretary) for a period of not less than 10 award years, beginning with the first award year that begins after the date on which the Secretary reduces such reimbursement.

"(7) RESERVATION OF FUNDS FOR PROMISE GRANTS.—Notwithstanding any other provision of law, the Secretary shall reserve the funds remitted to the Secretary as reimbursements in accordance with this subsection, and such funds shall be made available to the Secretary only for the purpose of awarding PROMISE grants in accordance with subpart 11 of part A of this title.".

SEC. 30042. CAMPUS-BASED AID PROGRAMS.

(a) PROMISE GRANTS.—Part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070c et seq.) is amended by adding at the end the following:

"Subpart 11—Promoting Real Opportunities to Maximize Investments and Savings in Education

"SEC. 420S. PROMISE GRANTS.

"For award year 2028–2029 and each succeeding award year, from reserved funds remitted to the Secretary in accordance with section 454(d) and additional funds made available under section 420V, as necessary, the Secretary shall award PROMISE grants to eligible institutions to carry out the activities described in section 420U(c). PROMISE grants awarded under this subpart shall be awarded on a noncompetitive basis to each eligible institution that submits a satisfactory application under section 420T for a 6-year period in an amount that is determined in accordance with section 420U.

"SEC. 420T. ELIGIBLE INSTITUTIONS; APPLICATION.

"(a) ELIGIBLE INSTITUTION.—To be eligible for a PROMISE grant under this subpart, an institution shall—

"(1) be an institution of higher education under section 102, except that an institution described in section 102(a)(1)(C) shall not be an eligible institution under this subpart; and

"(2) meet the maximum total price guarantee requirements under subsection (c).

"(b) APPLICATION.—An eligible institution seeking a PROMISE grant under this subpart (including a renewal of such a grant) shall submit to the Secretary an application, at such time as the Secretary may require, containing the information required under this subsection. Such application shall—

"(1) demonstrate that the institution—

"(A) meets the maximum total price guarantee requirements under subsection (c); and

"(B) will continue to meet the maximum total price guarantee requirements for each award year during the grant period with respect to students first enrolling at the institution for each such award year;

"(2) describe how grant funds awarded under this subpart will be used by the institution to carry out activities related to—

"(A) increasing postsecondary affordability, including—

"(i) the expansion and continuation of the maximum total price guarantee requirements under subsection (c); and

"(ii) any other activities to be carried out by the institution to increase postsecondary affordability and minimize the maximum total price for completion paid by students receiving need-based student aid;

"(B) increasing postsecondary access, which may include—

"(i) the activities described in section 485E of this Act; and

"(ii) any other activities to be carried out by the institution to increase postsecondary access and expand opportunities for low- and middle-income students; and

"(C) increasing postsecondary student success, which may include—

"(i) activities to improve completion rates and reduce time to credential;

"(ii) activities to align programs of study with the needs of employers, including with respect to in-demand industry sectors or occupations (as defined in section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102)); and

"(iii) any other activities to be carried out by the institution to increase value-added earnings and postsecondary student success;

"(3) describe—

"(A) how the institution will evaluate the effectiveness of the institution's use of grant funds awarded under this subpart; and

"(B) how the institution will collect and disseminate information on promising practices developed with the use of such grant funds; and

"(4) in the case of an institution that has previously received a grant under this subpart, contain the evaluation required under paragraph (3) for each previous grant.

"(c) MAXIMUM TOTAL PRICE GUARANTEE REQUIREMENTS.—As a condition of eligibility for a PROMISE grant under this subpart, an institution shall—

"(1) for each award year beginning after the date of enactment of this subpart, not later than 1 year before the start of each such award year (except that, for the first award year beginning after such date of enactment, the institution shall meet these requirements as soon as practicable after such date of enactment), determine the maximum total price for completion, in accordance with subsection (e), for each program of study at the institution applicable to students in each income category and student aid index category (as determined by the Secretary) and publish such information on the institution's website and in the institution's catalog, marketing materials, or other official publications;

"(2) for the award year for which the institution is applying for a PROMISE grant, and at least 1 award year preceding such award year, provide to each student who first enrolls, or plans to enroll, in the institution during the award year and who receives Federal financial aid under this title a maximum total price guarantee, in accordance with this section, for the minimum guarantee period applicable to the student; and

"(3) provide to the Secretary an assurance that the institution will continue to meet each of the maximum total price guarantee requirements under this subsection for students who first enroll, or plan to enroll, in the institution during each award year included in the grant period.

"(d) DURATION OF MINIMUM GUARANTEE PERIOD.—

"(1) IN GENERAL.—The minimum period during which a student shall be provided a guarantee under subsection (c) with respect to the maximum total price for completion of a program of study at an institution shall be the average, for the 3 most recent award years for which data are available, of the median time to credential of students who completed any undergraduate program of study at the institution during each such award year, except that such minimum guarantee period shall not be less than the program length of the program of study in which the student is enrolled.

"(2) LIMITATION.—An institution shall not be required to provide a maximum total price guarantee under subsection (c) to a student after the conclusion of the 6-year period beginning on the first day on which the student enrolled at such institution.

"(e) DETERMINATION OF MAXIMUM TOTAL PRICE FOR COMPLETION.—

"(1) IN GENERAL.—For the purposes of subsection (c), an institution shall determine, prior to the first award year in which a student enrolls at the institution, the maximum total price that may be charged to the student for completion of a program of study at the institution for the minimum guarantee period applicable to a student, before application of any Federal Pell Grants or other Federal financial aid under this title. Such a maximum total price for completion shall be determined for students in each income category and student aid index category (as determined by the Secretary). In determining the maximum total price for completion to be charged to each such category of students, the institution may consider the ability of a category of students to pay tuition and fees, but may not include in such consideration any Federal Pell Grants or other Federal financial aid awards that may be available to such category of students under this title.

"(2) MULTIPLE MAXIMUM TOTAL PRICE GUARANTEES.—In the event that a student receives more than 1 maximum total price guarantee because the student is included in more than 1 category of students for which the institution determines a maximum total price guarantee amount for the purposes of subsection (c), the maximum total price guarantee applicable to such student for the purposes of this section shall be equal to the lowest such guarantee amount.

"SEC. 420U. GRANT AMOUNTS; FLEXIBLE USE OF FUNDS.

"(a) GRANT AMOUNT FORMULA.—

"(1) FORMULA.—Subject to subsection (b) and section 420V(b), the amount of a PROMISE grant for an eligible institution for each year of the grant period shall be calculated by the Secretary annually and shall be equal to the amount determined by multiplying—

"(A) the lesser of—

"(i) the difference determined by subtracting one from the quotient of—

"(I) the average, for the 3 most recent award years for which data are available, of the median value-added earnings for each such award year of students who completed any program of study of the institution; divided by

"(II) the average, for the 3 most recent award years for which data are available, of the maximum total price for completion determined under section 420T(e) applicable for each such award year to students enrolled in the institution in any program of study who received financial aid under this title; or

"(ii) the number two;

"(B) the average, for the 3 most recent award years for which data are available, of the total dollar amount of Federal Pell Grants awarded to students enrolled in the institution in each such award year; and

"(C) the average, for the 3 most recent award years for which data are available, of the percentage of low-income students who received Federal financial assistance under

this title who were enrolled in the institution in each such award year who—

"(i) completed a program of study at the institution within 100 percent of the program length of such program; or

"(ii) only in the case of a two-year institution or a less than two-year institution—

"(I) transfer to a four-year institution; and

"(II) within 4 years after first enrolling at the two-year or less than two-year institution, complete a program of study at the four-year institution for which a bachelor's degree (or substantially similar credential) is awarded.

"(2) DEFINITION OF LOW-INCOME.—In this section, the term 'low-income', when used with respect to a student, means that the student's family income does not exceed the maximum income in the lowest income category (as determined by the Secretary).

"(b) MAXIMUM GRANT AMOUNT.—Notwithstanding subsection (a), the maximum amount an eligible institution may receive annually for a grant under this subpart shall be the amount equal to—

"(1) the average, for the 3 most recent award years, of the number of students enrolled in the institution in an award year who receive Federal financial aid under this title; multiplied by

"(2) $5,000.

"(c) FLEXIBLE USE OF FUNDS.—A PROMISE grant awarded under this subpart shall be used by an eligible institution to—

"(1) carry out activities included in the institution's application for such grant related to postsecondary affordability, access, and student success;

"(2) evaluate the effectiveness of the activities carried out with such grant in accordance with section 420T(b)(3)(A); and

"(3) collect and disseminate promising practices related to the activities carried out with such grant, in accordance with section 420T(b)(3)(B).

"SEC. 420V. AVAILABILITY OF FUNDS.

"(a) USED OF RESERVED FUNDS.—

"(1) PRIMARY FUNDS.—To carry out this subpart, there shall be available to the Secretary any funds remitted to the Secretary as reimbursements in accordance with section 454(d) for any award year.

"(2) SECONDARY FUNDS.—Beginning award year 2028–2029, if the amounts made available to the Secretary under paragraph (1) to carry out this subpart in any award year are insufficient to fully fund the PROMISE grants awarded under this subpart in such award year, there shall be available to the Secretary, in addition to such amounts, any funds returned to the Secretary under section 484B in the previous award year.

"(b) REDUCTION OF GRANT AMOUNT IN CASE OF INSUFFICIENT FUNDS.—

"(1) IN GENERAL.—If the amounts made available to the Secretary under subsection (a) to carry out this subpart for an award year are not sufficient to provide grants to each eligible

institution in the amount determined under section 420U for such award year, the Secretary shall reduce each such grant amount by the applicable percentage described in paragraph (2).

"(2) APPLICABLE PERCENTAGE.—The applicable percentage described in this paragraph is the percentage determined by dividing—

"(A) the amounts made available under subsection (a) for the award year described in paragraph (1); by

"(B) the total amount that would be necessary to provide grants to all eligible institutions in the amounts determined under section 420U for such award year.

"SEC. 420W. DEFINITIONS.

"In this title:

"(1) VALUE-ADDED EARNINGS.—

"(A) IN GENERAL.—With respect to a student who received Federal financial aid under this title and who completed a program of study offered by an institution of higher education, the term 'value-added earnings' means—

"(i) the annual earnings of such student measured during the applicable earnings measurement period for such program (as determined under subparagraph (C)); minus

"(ii) in the case of a student who completed a program of study that awards—

"(I) an undergraduate credential, 150 percent of the poverty line applicable to a single individual as determined under section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)) for such year; or

"(II) a graduate credential, 300 percent of the poverty line applicable to a single individual as determined under section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)) for such year.

"(B) GEOGRAPHIC ADJUSTMENT.—

"(i) IN GENERAL.—Except as provided in clause (ii), the Secretary shall use the geographic location of the institution at which a student completed a program of study to adjust the value-added earnings of the student calculated under subparagraph (A) by dividing—

"(I) the difference between clauses (i) and (ii) of such subparagraph; by

"(II) the most recent regional price parity index of the Bureau of Economics Analysis for the State or, as applicable, metropolitan area in which such institution is located.

"(ii) EXCEPTION.—The value-added earnings of a student calculated under subparagraph (A) shall not be adjusted based on geographic location in accordance with clause (i) if such student attended principally through distance education.

"(C) EARNINGS MEASUREMENT PERIOD.—

"(i) IN GENERAL.—For the purpose of calculating the value-added earnings of a student, except as provided in clause (ii), the annual earnings of a student shall be measured—

"(I) in the case of a program of study that awards an undergraduate certificate, post baccalaureate certificate, or graduate certificate, 1 year after the student completes such program;

"(II) in the case of a program of study that awards an associate's degree or master's degree, 2 years after the student completes such program; and

"(III) in the case of a program of study that awards a bachelor's degree, doctoral degree, or professional degree, 4 years after the student completes such program.

"(ii) EXCEPTION.—The Secretary may, as the Secretary determines appropriate based on the characteristics of a program of study, extend an earnings measurement period described in clause (i) for a program of study that—

"(I) requires completion of an additional educational program after completion of the program of study in order to obtain a licensure associated with the credential awarded for such program of study; and

"(II) when combined with the program length of such additional educational program for licensure, has a total program length that exceeds the relevant earnings measurement period prescribed for such program of study under clause (i),

except that in no case shall the annual earnings of a student be measured more than 1 year after the student completes such additional educational program.

"(2) PROGRAM LENGTH.—The term 'program length' means the minimum amount of time in weeks, months, or years that is specified in the catalog, marketing materials, or other official publications of an institution of higher education for a full-time student to complete the requirements for a specific program of study.".

(b) INSTITUTIONAL REFUNDS.—Section 484B of the Higher Education Act of 1965 (20 U.S.C. 1091b) is amended by adding at the end the following:

"(f) RESERVATION OF FUNDS FOR PROMISE GRANTS.—Notwithstanding any other provision of law, the Secretary shall reserve the funds returned to the Secretary under this section for 1 year after the return of such funds for the purpose of awarding PROMISE grants in accordance with subpart 4 of part A of this title.".

Subtitle F—Regulatory Relief

SEC. 30051. REGULATORY RELIEF.

(a) 90/10 RULE.—Section 487 of the Higher Education Act of 1965 (20 U.S.C. 1094) is amended—

(1) in subsection (a), by repealing paragraph (24);

(2) by striking subsection (d); and

(3) by redesignating subsections (e) through (j) as subsections (d) through (i), respectively.

(b) GAINFUL EMPLOYMENT.—The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

(1) in section 101(b)(1), by striking "gainful employment in";

(2) in section 102—

(A) in subsection (b)(1)(A)(i), by striking "gainful employment in"; and

(B) in subsection (c)(1)(A), by striking "gainful employment in"; and

(3) in section 481(b)(1)(A)(i), by striking "gainful employment in".

(c) OTHER REPEALS.—The following regulations (including any supplement or revision to such regulations) are repealed and shall have no legal effect:

(1) CLOSED SCHOOL DISCHARGES.—Sections 674.33(g), 682.402(d), and 685.214 of title 34, Code of Federal Regulations (relating to closed school discharges), as added or amended by the final regulations published by the Department of Education in the Federal Register on November 1, 2022 (87 Fed. Reg. 65904 et seq.).

(2) BORROWER DEFENSE TO REPAYMENT.—Subpart D of part 685 of title 34, Code of Federal Regulations (relating to borrower defense to repayment), as added or amended by the final regulations published by the Department of Education in the Federal Register on November 1, 2022 (87 Fed. Reg. 65904 et seq.).

(d) EFFECT OF REPEAL.—Any regulations repealed by subsection (c) that were in effect on June 30, 2023, are restored and revived as if the repeal of such regulations under such subsection had not taken effect.

(e) PROHIBITION.—The Secretary of Education may not implement any rule, regulation, policy, or executive action specified in this section (or a substantially similar rule, regulation, policy, or executive action) unless authority for such implementation is explicitly provided in an Act of Congress.

Subtitle G—Limitation on Authority

SEC. 30061. LIMITATION ON AUTHORITY OF THE SECRETARY TO PROPOSE OR ISSUE REGULATIONS AND EXECUTIVE ACTIONS.

Part G of title IV of the Higher Education Act of 1965 (20 U.S.C. 1088 et seq.) is amended by inserting after section 492 the following:

"SEC. 492A. LIMITATION ON AUTHORITY OF THE SECRETARY TO PROPOSE OR ISSUE REGULATIONS AND EXECUTIVE ACTIONS.

"(a) DRAFT REGULATIONS.—Beginning on the date of enactment of this section, a draft regulation implementing this title (as described in section 492(b)(1)) that is determined by the Secretary to be economically significant shall be subject to the following requirements (regardless of whether negotiated rulemaking occurs):

"(1) The Secretary shall determine whether the draft regulation, if implemented, would result in an increase in a subsidy cost.

"(2) If the Secretary determines under paragraph (1) that the draft regulation would result in an increase in a subsidy cost, then the Secretary may not take any further action with respect to such regulation.

"(b) PROPOSED OR FINAL REGULATIONS AND EXECUTIVE ACTIONS.—Beginning on the date of enactment of this section, the Secretary may not issue a proposed rule, final regulation, or executive action implementing this title if the Secretary determines that the rule, regulation, or executive action—

"(1) is economically significant; and

"(2) would result in an increase in a subsidy cost.

"(c) RELATIONSHIP TO OTHER REQUIREMENTS.—The analyses required under subsections (a) and (b) shall be in addition to any other cost analysis required under law for a regulation implementing this title, including any cost analysis that may be required pursuant to Executive Order 12866 (58 Fed. Reg. 51735; relating to regulatory planning and review), Executive Order 13563 (76 Fed. Reg. 3821; relating to improving regulation and regulatory review), or any related or successor orders.

"(d) DEFINITION.—In this section, the term 'economically significant', when used with respect to a draft, proposed, or final regulation or executive action, means that the regulation or executive action is likely, as determined by the Secretary—

"(1) to have an annual effect on the economy of $100,000,000 or more; or

"(2) to adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities.".

TITLE IV—ENERGY AND COMMERCE

Subtitle A—Energy

SEC. 41001. RESCISSIONS RELATING TO CERTAIN INFLATION REDUCTION ACT PROGRAMS.

(a) STATE-BASED HOME ENERGY EFFICIENCY CONTRACTOR TRAINING GRANTS.—The unobligated balance of any amounts made available under subsection (a) of section 50123 of Public Law 117–169 (42 U.S.C. 18795b) is rescinded.

(b) FUNDING FOR DEPARTMENT OF ENERGY LOAN PROGRAMS OFFICE.—The unobligated balance of any amounts made available

under subsection (b) of section 50141 of Public Law 117–169 (136 Stat. 2042) is rescinded.

(c) ADVANCED TECHNOLOGY VEHICLE MANUFACTURING.—The unobligated balance of any amounts made available under subsection (a) of section 50142 of Public Law 117–169 (136 Stat. 2044) is rescinded.

(d) ENERGY INFRASTRUCTURE REINVESTMENT FINANCING.—The unobligated balance of any amounts made available under subsection (a) of section 50144 of Public Law 117–169 (136 Stat. 2044) is rescinded.

(e) TRIBAL ENERGY LOAN GUARANTEE PROGRAM.—The unobligated balance of any amounts made available under subsection (a) of section 50145 of Public Law 117–169 (136 Stat. 2045) is rescinded.

(f) TRANSMISSION FACILITY FINANCING.—The unobligated balance of any amounts made available under subsection (a) of section 50151 of Public Law 117–169 (42 U.S.C. 18715) is rescinded.

(g) GRANTS TO FACILITATE THE SITING OF INTERSTATE ELECTRICITY TRANSMISSION LINES.—The unobligated balance of any amounts made available under subsection (a) of section 50152 of Public Law 117–169 (42 U.S.C. 18715a) is rescinded.

(h) INTERREGIONAL AND OFFSHORE WIND ELECTRICITY TRANSMISSION PLANNING, MODELING, AND ANALYSIS.—The unobligated balance of any amounts made available under subsection (a) of section 50153 of Public Law 117–169 (42 U.S.C. 18715b) is rescinded.

(i) ADVANCED INDUSTRIAL FACILITIES DEPLOYMENT PROGRAM.—The unobligated balance of any amounts made available under subsection (a) of section 50161 of Public Law 117–169 (42 U.S.C. 17113a) is rescinded.

SEC. 41002. FERC CERTIFICATES AND FEES FOR CERTAIN ENERGY INFRASTRUCTURE AT INTERNATIONAL BOUNDARIES OF THE UNITED STATES.

(a) DEFINITIONS.—In this section:

(1) CERTIFICATE OF CROSSING.—The term "certificate of crossing" means a permit for the construction, connection, operation, or maintenance of a cross-border segment.

(2) COMMISSION.—The term "Commission" means the Federal Energy Regulatory Commission.

(3) COVERED FACILITY.—The term "covered facility" means—

(A) an oil, natural gas, hydrocarbon liquids, refined petroleum products, hydrogen, or carbon dioxide pipeline;

(B) a pipeline for the movement of any other energy-related product; and

(C) an electric transmission facility.

(4) CROSS-BORDER SEGMENT.—The term "cross-border segment" means a segment, as determined by the Commission, of a covered facility that is located at an international boundary between—

(A) the United States and Canada; or

(B) the United States and Mexico.

(5) PRESIDENTIAL PERMIT.—The term "Presidential permit" means a permit or other approval issued or required by the President under or pursuant to any provision of law, including under or pursuant to any Executive order, with respect to the

construction, connection, operation, or maintenance of a cross-border segment.

(b) CERTIFICATE OF CROSSING AND FEE.—

(1) IN GENERAL.—The Commission shall, upon payment of a fee in the amount of $50,000 by a person requesting a certificate of crossing, issue to such person such certificate of crossing.

(2) TREATMENT OF FEE.—A fee paid under this subsection shall not be considered a fee assessed under section 3401 of the Omnibus Budget Reconciliation Act of 1986 (42 U.S.C. 7178).

(c) PROHIBITION.—Except as provided in subsection (d), no person may construct, connect, operate, or maintain a cross-border segment for the import or export of oil, natural gas, hydrocarbon liquids, refined petroleum products, hydrogen, carbon dioxide, or other energy-related products, or for the transmission of electricity, to or from Canada or Mexico without obtaining a certificate of crossing from the Commission under subsection (b) for the applicable construction, connection, operation, or maintenance.

(d) PREVIOUSLY AUTHORIZED FACILITIES.—Subsection (c) shall not apply to the construction, connection, operation, or maintenance of a cross-border segment with respect to which a Presidential permit that was issued before the date of enactment of this Act applies and is in effect.

SEC. 41003. NATURAL GAS EXPORTS AND IMPORTS.

Section 3 of the Natural Gas Act (15 U.S.C. 717b) is amended by adding at the end the following:

"(g) CHARGE FOR EXPORTATION OR IMPORTATION OF NATURAL GAS.—The Secretary of Energy shall, by rule, impose and collect, for each application to export natural gas from the United States to a foreign country with which there is not in effect a free trade agreement requiring national treatment for trade in natural gas, or to import natural gas from such a foreign country, a nonrefundable charge of $1,000,000, and, for purposes of subsection (a), the importation or exportation of natural gas that is proposed in an application for which such a nonrefundable charge was imposed and collected shall be deemed to be in the public interest, and such an application shall be granted without modification or delay.".

SEC. 41004. FUNDING FOR DEPARTMENT OF ENERGY LOAN GUARANTEE EXPENSES.

In addition to amounts otherwise available, there is appropriated to the Secretary of Energy, out of any money in the Treasury not otherwise appropriated, $5,000,000, to remain available for a period of five years for administrative expenses associated with carrying out section 116 of the Alaska Natural Gas Pipeline Act (15 U.S.C. 720n).

SEC. 41005. EXPEDITED PERMITTING.

The Natural Gas Act is amended by adding after section 15 (15 U.S.C. 717n) the following:

"SEC. 15A. EXPEDITED PERMITTING.

"(a) DEFINITIONS.—In this section:

"(1) COVERED APPLICATION.—The term 'covered application' means an application for an authorization under section 3 or

a certificate of public convenience and necessity under section 7, as applicable, for activities that include construction.

"(2) FEDERAL AUTHORIZATION.—The term 'Federal authorization' has the meaning given such term in section 15(a).

"(b) EXPEDITED REVIEW.—

"(1) NOTIFICATION OF ELECTION AND PAYMENT OF FEE.—Prior to submitting a covered application, an applicant may elect to obtain an expedited review of all Federal authorizations required for the approval of such covered application by—

"(A) submitting to the Commission a written notification—

"(i) of the election; and

"(ii) that identifies each Federal authorization required for the approval of the covered application and each Federal, State, interstate, or Tribal agency that will consider an aspect of each such Federal authorization; and

"(B) making a payment to the Secretary of the Treasury in an amount that is the lesser of—

"(i) one percent of the expected cost of the applicable construction, as determined by the applicant; or

"(ii) $10,000,000 (adjusted for inflation, as the Secretary of the Treasury determines necessary).

"(2) SUBMISSION AND REVIEW OF APPLICATIONS.—

"(A) APPLICATION.—Not later than 60 days after the date on which an applicant elects to obtain an expedited review under paragraph (1), the applicant shall submit to the Commission the covered application for which such election for an expedited review was made, which shall include—

"(i) the scope of the applicable activities, including capital investment, siting, temporary construction, and final workforce numbers;

"(ii) the industrial sector of the applicant, as classified by the North American Industry Classification System; and

"(iii) a list of the statutes and regulations that are relevant to the covered application.

"(B) APPROVAL.—

"(i) STANDARD DEADLINE.—Except as provided in clause (ii), not later than one year after the date on which an applicant submits a covered application pursuant to subparagraph (A)—

"(I) each Federal, State, interstate, or Tribal agency identified under paragraph (1)(A)(ii) shall—

"(aa) review the relevant Federal authorization identified under such paragraph; and

"(bb) subject to any conditions determined by such agency to be necessary to comply with the requirements of the Federal law under which such approval is required, approve such Federal authorization; and

"(II) the Commission shall—

"(aa) review the covered application; and

"(bb) subject to any conditions determined by the Commission to be necessary to comply with the requirements of this Act, approve the covered application.

"(ii) EXTENDED DEADLINE.—

"(I) EXTENSION.—With respect to a covered application submitted pursuant to subparagraph (A), the Commission may approve a request by an agency identified under paragraph (1)(A)(ii) for an extension of the one-year deadline imposed by clause (i) of this subparagraph for a period of 6 months if the Commission receives consent from the relevant applicant.

"(II) APPLICABILITY.—If the Commission approves a request for an extension under subclause (I), such extension shall apply to the applicable covered application and the Federal authorization for which the extension was requested.

"(C) EFFECT OF FAILURE TO MEET DEADLINE.—

"(i) DEEMED APPROVAL.—Any covered application submitted pursuant to subparagraph (A), or Federal authorization that is required with respect to such covered application, that is not approved by the applicable deadline under subparagraph (B) shall be deemed approved in perpetuity, notwithstanding any procedural requirements relating to such approval under the Federal law under which such approval was required (including any requirements applicable to the effective period of a Federal authorization).

"(ii) COMPLIANCE.—A person carrying out activities under a covered application or Federal authorization that has been deemed approved under clause (i) shall comply with the requirements of the Federal law under which such approval was required (other than with respect to any procedural requirements relating to such approval, including any requirements relating to the effective period of the Federal authorization).

"(c) JUDICIAL REVIEW.—

"(1) REVIEWABLE CLAIMS.—

"(A) IN GENERAL.—Notwithstanding any other provision of law, no court shall have jurisdiction to review a claim with respect to the approval of a covered application or Federal authorization under subparagraph (B) or (C)(i) of subsection (b)(2), except for a claim under chapter 7 of title 5, United States Code, filed not later than 180 days after the date of such approval by—

"(i) the applicant; or

"(ii) a person who has suffered, or likely and imminently will suffer, direct and irreparable economic harm from the approval.

"(B) CLAIMS BY CERTAIN NON-APPLICANTS.—An association may only bring a claim on behalf of one or more of its members pursuant to subparagraph (A)(ii) if each member

of the association has suffered, or likely and imminently will suffer, the harm described in subparagraph (A)(ii).

"(2) STANDARD OF REVIEW.—If an applicant or other person brings a claim described in paragraph (1) with respect to the approval of a covered application or Federal authorization under subsection (b)(2)(B), the court shall hold unlawful and set aside any agency actions, findings, and conclusions in accordance with section 706(2) of title 5, United States Code, except that, for purposes of the application of subparagraph (E) of such section, the court shall apply such subparagraph by substituting 'clear and convincing evidence' for 'substantial evidence'.

"(3) EXCLUSIVE JURISDICTION.—Notwithstanding any other provision of law, the United States Court of Appeals for the District of Columbia Circuit shall have original and exclusive jurisdiction over any claim—

"(A) alleging the invalidity of subsection (b); or

"(B) that an agency action relating to a covered application or Federal authorization under subsection (b) is beyond the scope of authority conferred by the Federal law under which such agency action is made.".

SEC. 41006. CARBON DIOXIDE, HYDROGEN, AND PETROLEUM PIPELINE PERMITTING.

The Natural Gas Act is amended by inserting after section 7 (15 U.S.C. 717f) the following:

"SEC. 7A. CARBON DIOXIDE, HYDROGEN, AND PETROLEUM PIPELINE PERMITTING.

"(a) COVERED PIPELINE DEFINED.—In this section, the term 'covered pipeline' means—

"(1) a pipeline or pipeline facility for the transportation of carbon dioxide that is regulated under chapter 601 of title 49, United States Code, pursuant to section 60102(i) of such chapter;

"(2) a gas pipeline facility, as such term is defined in section 60101 of title 49, United States Code, for the transportation of hydrogen that is regulated under chapter 601 of such title; or

"(3) a hazardous liquid pipeline facility, as such term is defined in section 60101 of title 49, United States Code, for the transportation of petroleum or a petroleum product that is regulated under chapter 601 of such title.

"(b) APPLICATION AND FEE.—Any person may submit to the Commission—

"(1) an application for a license authorizing the whole or any part of the operation, sale, service, construction, extension, or acquisition of a covered pipeline, which application shall be made in the same manner as, and in accordance with the requirements for, an application for a certificate of public convenience and necessity under section 7(d); and

"(2) a fee in the amount of $10,000,000 for the consideration of such application.

"(c) PROCEDURE.—

"(1) IN GENERAL.—With respect to each application for which a fee is submitted under subsection (b), the Commission shall—

"(A) consider the application in accordance with the procedures applicable to an application for a certificate of public convenience and necessity under the matter preceding the proviso in section 7(c)(1)(B), including the procedure provided in section 7(e); and

"(B) in accordance with section 7(e), issue the license for which the application was submitted or deny such application.

"(2) NECESSARY MODIFICATIONS.—For purposes of this section, the Commission may modify procedures in place under section 7 as the Commission determines necessary to apply such procedures to the consideration, issuance, or denial of an application under this section.

"(d) EFFECT OF LICENSE.—Notwithstanding any other provision of law, if the Commission issues a license under subsection (c)(1) of this section and the licensee is in compliance with such license, no requirement of State or local law that requires approval of the location of the covered pipeline with respect to which the license is issued may be enforced against the licensee.

"(e) APPLICATION TO OTHER PROVISIONS.—

"(1) EXTENSION OF FACILITIES; ABANDONMENT OF SERVICE.—For purposes of section 7—

"(A) subsection (b) of such section shall be applied with respect to this section by substituting 'licensee under section 7A' for 'natural-gas company';

"(B) subsection (c)(2) of such section shall be applied with respect to this section—

"(i) by substituting 'licensee under section 7A' for 'natural-gas company'; and

"(ii) by substituting 'petroleum or a petroleum product' for 'natural gas' each place it appears;

"(C) subsection (f)(1) shall be applied with respect to this section—

"(i) by substituting 'license under section 7A' for 'authorization under this section'; and

"(ii) by substituting 'licensee under section 7A' for 'natural-gas company';

"(D) subsection (f)(2) shall be applied with respect to this section—

"(i) by substituting 'transported liquid or gas is consumed' for 'gas is consumed'; and

"(ii) by substituting 'a liquid or gas to another licensee under section 7A' for 'natural gas to another natural gas company';

"(E) subsection (g) shall be applied with respect to this section—

"(i) by substituting 'licenses under section 7A' for 'certificates of public convenience and necessity'; and

"(ii) by substituting 'licensee under section 7A' for 'natural-gas company';

"(F) subsection (h) of such section shall be applied with respect to this section—

"(i) by substituting 'licensee under section 7A' for 'holder of a certificate of public convenience and necessity'; and

"(ii) by substituting 'to carry out an activity authorized by the license issued under such section' for 'to construct, operate, and maintain a pipe line or pipe lines for the transportation of natural gas, and the necessary land or other property, in addition to right-of-way, for the location of compressor stations, pressure apparatus, or other stations or equipment necessary to the proper operation of such pipe line or pipe lines'.

"(2) PROCESS COORDINATION; HEARINGS; RULES OF PROCEDURE.—For purposes of applying section 15 with respect to this section, each reference to an application in subsection (a) of such section shall be considered to be a reference to an application for a license under this section.

"(3) REHEARING; COURT REVIEW OF ORDERS.—For purposes of section 19—

"(A) subsection (b) of such section shall be applied with respect to this section by substituting 'person who submitted the relevant application and paid a fee under section 7A' for 'natural gas company'; and

"(B) subsection (d) of such section shall be applied with respect to this section by substituting 'covered pipeline with respect to which an application and fee has been submitted under section 7A' for 'facility subject to section 3 or section 7' each place it appears.

"(4) ENFORCEMENT OF ACT; REGULATIONS AND ORDERS.—For purposes of section 20(d), paragraph (1) of such section shall be applied with respect to this section by substituting 'company that is a licensee under section 7A' for 'natural gas company'.".

SEC. 41007. DE-RISKING COMPENSATION PROGRAM.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2026, out of any money in the Treasury not otherwise appropriated, $10,000,000, to remain available through September 30, 2034, to carry out this section: *Provided*, That no disbursements may be made under this section after September 30, 2034.

(b) DE-RISKING COMPENSATION PROGRAM.—

(1) ESTABLISHMENT.—There is established in the Department of Energy a program, to be known as the De-Risking Compensation Program, to provide compensation to sponsors, with respect to covered energy projects, that suffer unrecoverable losses due to qualifying Federal actions.

(2) ELIGIBILITY.—A sponsor may enroll in the program with respect to a covered energy project if—

(A) all approvals or permits required or authorized under Federal law for the covered energy project have been received, regardless of whether a court order subsequently remands or vacates such approvals or permits;

(B) the sponsor commenced construction of the covered energy project or made capital expenditures with respect

to the covered energy project in reliance on such approvals or permits; and

(C) at the time of enrollment, no qualifying Federal action has been issued or taken that has an effect described in subsection (g)(4)(B) on the covered energy project.

(3) APPLICATION.—A sponsor may apply to enroll with respect to a covered energy project in the program by submitting to the Secretary an application containing such information as the Secretary may require.

(4) ENROLLMENT.—Not later than 90 days after the date on which the Secretary receives an application submitted under paragraph (3), the Secretary shall enroll the sponsor in the program for the covered energy project with respect to which the application was submitted if the Secretary determines that the sponsor meets the requirements of paragraph (2) with respect to the covered energy project.

(c) FEES AND PREMIUMS.—

(1) ENROLLMENT FEE.—Not later than 60 days after the date on which a sponsor is enrolled in the program under subsection (b)(4), the sponsor shall pay to the Secretary a one-time enrollment fee equal to 5 percent of the sponsor capital contribution for the applicable covered energy project.

(2) ANNUAL PREMIUMS.—

(A) IN GENERAL.—The Secretary shall establish and annually collect a premium from each sponsor enrolled in the program for each covered energy project with respect to which the sponsor is enrolled.

(B) REQUIREMENTS.—A premium established and collected from a sponsor under subparagraph (A) shall—

(i) be equal to 1.5 percent of the sponsor capital contribution for the applicable covered energy project; and

(ii) be paid beginning with the year of enrollment and continuing until the earlier of—

(I) fiscal year 2033; or

(II) the year in which the sponsor withdraws from the program with respect to the applicable covered energy project.

(C) ADJUSTMENT.—The Secretary may adjust the percentage required by subparagraph (B)(i) once every two fiscal years to ensure Fund solvency, except that—

(i) the Secretary may not vary such percentage between sponsors or projects; and

(ii) such percentage may not exceed 5 percent.

(D) PUBLICATION.—The Secretary shall publish in the Federal Register not later than 60 days prior to the start of each fiscal year a list of each premium to be collected for the fiscal year.

(d) COMPENSATION.—

(1) IN GENERAL.—Using amounts available in the Fund, and subject to paragraph (5), the Secretary shall provide compensation to a sponsor enrolled in the program with respect to a covered energy project if—

(A) the sponsor paid the enrollment fee and the premium for each year the sponsor was enrolled in the program with respect to the covered energy project; and

(B) the sponsor demonstrates, in a request submitted to the Secretary, that a qualifying Federal action has been issued or taken that has an effect described in subsection (g)(4)(B) on the covered energy project.

(2) REQUEST FOR COMPENSATION.—A request under paragraph (1) shall contain the following:

(A) Information on each Federal approval or permit relating to the covered energy project, including the date on which such approval or permit was issued.

(B) A certified accounting of capital expenditures made in reliance on each such Federal approval or permit.

(C) A description of, and, if applicable, a citation to, the applicable qualifying Federal action.

(D) A causal statement showing how the qualifying Federal action directly resulted in unrecoverable losses or cessation of the covered energy project and that absent the qualifying Federal action the project would have otherwise been viable.

(E) Any supporting economic analysis demonstrating the financial effects of the covered energy project being rendered unviable.

(3) APPROVAL.—The Secretary shall approve a request submitted under paragraph (1) and, subject to paragraph (5), provide compensation to the applicable sponsor if the Secretary determines that such request is complete and in compliance with the requirements of this section.

(4) LIMITATIONS ON DENIALS.—The Secretary may not deny a request submitted under paragraph (1) based on—

(A) the merit of the applicable covered energy project, as determined by the Secretary; or

(B) the type of technology used in the applicable covered energy project.

(5) LIMITATIONS ON COMPENSATION AMOUNT.—

(A) SPONSORS.—The amount of compensation provided to a sponsor under this subsection with respect to a covered energy project shall not exceed the sponsor capital contribution for the covered energy project.

(B) AVAILABLE FUNDS.—In determining the amount of compensation to be provided to a sponsor under this subsection—

(i) such amount may be any amount, including zero, that is less than or equal to the amount of the sponsor capital contribution for the covered energy project, regardless of the amount of capital expenditures made by the sponsor (as certified and included in the request pursuant to paragraph (2)(B)); and

(ii) the Secretary shall determine such amount in a manner that ensures no funds will be obligated or expended in amounts that exceed the amounts in the Fund at the time of approval of the applicable request submitted under paragraph (1).

(e) DE-RISKING COMPENSATION FUND.—

(1) ESTABLISHMENT.—There is established a fund, to be known as the De-Risking Compensation Fund, consisting of such amounts as are deposited in the Fund under this subsection or credited to the Fund under subsection (f).

(2) USE OF FUNDS.—Amounts in the Fund—

(A) shall remain available until September 30, 2034; and

(B) may be used, without further appropriation—

(i) to make compensation payments to sponsors under this section; and

(ii) to administer the program.

(3) LIMITATION ON ADMINISTRATIVE EXPENSES.—Not more than 3 percent of amounts in the Fund may be used to administer the program.

(4) DEPOSITS.—The Secretary shall deposit the fees and premiums received under subsection (c) into the Fund.

(f) FUND MANAGEMENT AND INVESTMENT.—The Fund shall be managed and invested as follows:

(1) The Fund shall be maintained and administered by the Secretary.

(2) Amounts in the Fund shall be invested in obligations of the United States in accordance with the requirements of section 9702 of title 31, United States Code.

(3) The interest on such investments shall be credited to the Fund.

(g) DEFINITIONS.—For purposes of this section:

(1) COVERED ENERGY PROJECT.—The term "covered energy project" means a project located in the United States for the development, extraction, processing, transportation, or use of coal, coal byproducts, critical minerals, oil, natural gas, or nuclear energy with a total projected capital expenditure of not less than $30,000,000, as certified by the Secretary.

(2) FUND.—The term "Fund" means the De-Risking Compensation Fund established in subsection (e)(1).

(3) PROGRAM.—The term "program" means the De-Risking Compensation Program established in subsection (b)(1).

(4) QUALIFYING FEDERAL ACTION.—The term "qualifying Federal action" means a regulation, administrative decision, or executive action—

(A) issued or taken after a sponsor received a Federal approval or permit for a covered energy project; and

(B) that revokes such approval or permit or cancels, delays, or renders unviable the covered energy project regardless of whether the regulation, administrative decision, or executive action is responsive to a court order.

(5) SECRETARY.—The term "Secretary" means the Secretary of Energy.

(6) SPONSOR.—The term "sponsor" means an entity incorporated and headquartered in the United States with an ownership or development interest in a covered energy project.

(7) SPONSOR CAPITAL CONTRIBUTION.—The term "sponsor capital contribution" means the projected capital expenditure of a sponsor for a covered energy project, as certified by the Secretary at the time of enrollment in the program, which

shall include verifiable development, construction, permitting, and financing costs directly related to the covered energy project.

SEC. 41008. STRATEGIC PETROLEUM RESERVE.

(a) APPROPRIATIONS.—In addition to amounts otherwise available, there is appropriated to the Department of Energy for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $218,000,000 for maintenance of, including repairs to, storage facilities and related facilities (as such terms are defined in section 152 of the Energy Policy and Conservation Act (42 U.S.C. 6232)) of the Strategic Petroleum Reserve; and

(2) $1,321,000,000 to acquire, by purchase, petroleum products for storage in the Strategic Petroleum Reserve.

(b) REPEAL OF STRATEGIC PETROLEUM RESERVE DRAWDOWN AND SALE MANDATE.—Section 20003 of Public Law 115–97 (42 U.S.C. 6241 note) is repealed.

SEC. 41009. RESCISSIONS OF PREVIOUSLY APPROPRIATED UNOBLIGATED FUNDS.

(a) RESCISSIONS.—Except as provided in subsection (b), of the unobligated balances appropriated and made available to the Department of Energy—

(1) for the Office of the Inspector General, $8,052,100 is rescinded;

(2) for the Office of Clean Energy Demonstrations, $60,152,900 is rescinded;

(3) for the Office for Human Capital, $76,900 is rescinded;

(4) for Federal Energy Management Programs, $53,442,200 is rescinded;

(5) for State and Community Energy Programs, $262,506,100 is rescinded;

(6) for the Office of Minority Economic Impact, $2,783,100 is rescinded;

(7) for the Office of Energy Efficiency and Renewable Energy, $401,850,700 is rescinded;

(8) for the Office of General Counsel, $239,400 is rescinded;

(9) for the Office of Indian Energy Policy and Programs, $44,701,900 is rescinded;

(10) for the Office of Management, $5,041,100 is rescinded;

(11) for the Office of the Secretary, $1,019,400 is rescinded;

(12) for the Office of Public Affairs, $2,594,000 is rescinded; and

(13) for the Office of Policy, $692,400 is rescinded.

(b) EXCLUSIONS.—The unobligated amounts rescinded under subsection (a) may not include amounts appropriated and made available to the Department of Energy—

(1) under Public Law 117–169 (commonly referred to as the Inflation Reduction Act of 2022);

(2) under the Infrastructure Investment and Jobs Act (Public Law 117–58); or

(3) that were designated by the Congress as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 or a concurrent resolution on the

budget, section 4001(a)(1) of S. Con. Res. 14 (117th Congress), or section 1(e) of H. Res. 1151 (117th Congress) as engrossed in the House of Representatives on June 8, 2022.

Subtitle B—Environment

PART 1—REPEALS AND RESCISSIONS

SEC. 42101. REPEAL AND RESCISSION RELATING TO CLEAN HEAVY-DUTY VEHICLES.

(a) REPEAL.—Section 132 of the Clean Air Act (42 U.S.C. 7432) is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 132 of the Clean Air Act (42 U.S.C. 7432) (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42102. REPEAL AND RESCISSION RELATING TO GRANTS TO REDUCE AIR POLLUTION AT PORTS.

(a) REPEAL.—Section 133 of the Clean Air Act (42 U.S.C. 7433) is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 133 of the Clean Air Act (42 U.S.C. 7433) (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42103. REPEAL AND RESCISSION RELATING TO GREENHOUSE GAS REDUCTION FUND.

(a) REPEAL.—Section 134 of the Clean Air Act (42 U.S.C. 7434) is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 134 of the Clean Air Act (42 U.S.C. 7434) (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42104. REPEAL AND RESCISSION RELATING TO DIESEL EMISSIONS REDUCTIONS.

(a) REPEAL.—Section 60104 of Public Law 117–169 is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60104 of Public Law 117–169 (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42105. REPEAL AND RESCISSION RELATING TO FUNDING TO ADDRESS AIR POLLUTION.

(a) REPEAL.—Section 60105 of Public Law 117–169 is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60105 of Public Law 117–169 (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42106. REPEAL AND RESCISSION RELATING TO FUNDING TO ADDRESS AIR POLLUTION AT SCHOOLS.

(a) REPEAL.—Section 60106 of Public Law 117–169 is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60106 of Public Law 117–169 (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42107. REPEAL AND RESCISSION RELATING TO LOW EMISSIONS ELECTRICITY PROGRAM.

(a) REPEAL.—Section 135 of the Clean Air Act (42 U.S.C. 7435) is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 135 of the Clean Air Act (42 U.S.C. 7435) (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42108. REPEAL AND RESCISSION RELATING TO FUNDING FOR SECTION 211(o) OF THE CLEAN AIR ACT.

(a) REPEAL.—Section 60108 of Public Law 117–169 is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60108 of Public Law 117–169 (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42109. REPEAL AND RESCISSION RELATING TO FUNDING FOR IMPLEMENTATION OF THE AMERICAN INNOVATION AND MANUFACTURING ACT.

(a) REPEAL.—Section 60109 of Public Law 117–169 is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60109 of Public Law 117–169 (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42110. REPEAL AND RESCISSION RELATING TO FUNDING FOR ENFORCEMENT TECHNOLOGY AND PUBLIC INFORMATION.

(a) REPEAL.—Section 60110 of Public Law 117–169 is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60110 of Public Law 117–169 (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42111. REPEAL AND RESCISSION RELATING TO GREENHOUSE GAS CORPORATE REPORTING.

(a) REPEAL.—Section 60111 of Public Law 117–169 is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60111 of Public Law 117–169 (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42112. REPEAL AND RESCISSION RELATING TO ENVIRONMENTAL PRODUCT DECLARATION ASSISTANCE.

(a) REPEAL.—Section 60112 of Public Law 117–169 (42 U.S.C. 4321 note) is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60112 of Public Law 117–169 (42 U.S.C. 4321 note) (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42113. REPEAL OF FUNDING FOR METHANE EMISSIONS AND WASTE REDUCTION INCENTIVE PROGRAM FOR PETROLEUM AND NATURAL GAS SYSTEMS.

(a) REPEAL AND RESCISSION.—Subsections (a) and (b) of section 136 of the Clean Air Act (42 U.S.C. 7436) are repealed and the unobligated balances of amounts made available under those subsections (as in effect on the day before the date of enactment of this Act) are rescinded.

(b) CONFORMING AMENDMENTS.—Section 136 of the Clean Air Act (42 U.S.C. 7436) is amended—

(1) by redesignating subsections (c) through (i) as subsections (a) through (g), respectively;

(2) by striking "subsection (c)" each place it appears and inserting "subsection (a)";

(3) by striking "subsection (d)" each place it appears and inserting "subsection (b)";

(4) by striking "subsection (f)" each place it appears and inserting "subsection (d)";

(5) in subsection (e) (as so redesignated), by striking "calendar year 2024" and inserting "calendar year 2034"; and

(6) in subsection (f) (as so redesignated)—

(A) by striking "subsections (e) and (f)" and inserting "subsections (c) and (d)"; and

(B) by striking "including data collected pursuant to subsection (a)(4),".

SEC. 42114. REPEAL AND RESCISSION RELATING TO GREENHOUSE GAS AIR POLLUTION PLANS AND IMPLEMENTATION GRANTS.

(a) REPEAL.—Section 137 of the Clean Air Act (42 U.S.C. 7437) is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 137 of the Clean Air Act (42 U.S.C. 7437) (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42115. REPEAL AND RESCISSION RELATING TO ENVIRONMENTAL PROTECTION AGENCY EFFICIENT, ACCURATE, AND TIMELY REVIEWS.

(a) REPEAL.—Section 60115 of Public Law 117–169 is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60115 of Public Law 117–169 (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42116. REPEAL AND RESCISSION RELATING TO LOW-EMBODIED CARBON LABELING FOR CONSTRUCTION MATERIALS.

(a) REPEAL.—Section 60116 of Public Law 117–169 (42 U.S.C. 4321 note) is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 60116 of Public Law 117–169 (42 U.S.C. 4321 note) (as in effect on the day before the date of enactment of this Act) is rescinded.

SEC. 42117. REPEAL AND RESCISSION RELATING TO ENVIRONMENTAL AND CLIMATE JUSTICE BLOCK GRANTS.

(a) REPEAL.—Section 138 of the Clean Air Act (42 U.S.C. 7438) is repealed.

(b) RESCISSION.—The unobligated balance of any amounts made available under section 138 of the Clean Air Act (42 U.S.C. 7438) (as in effect on the day before the date of enactment of this Act) is rescinded.

PART 2—REPEAL OF EPA RULE RELATING TO MULTI-POLLUTANT EMISSIONS STANDARDS

SEC. 42201. REPEAL OF EPA RULE RELATING TO MULTI-POLLUTANT EMISSIONS STANDARDS FOR LIGHT- AND MEDIUM-DUTY VEHICLES.

The final rule issued by the Environmental Protection Agency relating to "Multi-Pollutant Emissions Standards for Model Years

2027 and Later Light-Duty and Medium-Duty Vehicles" (89 Fed. Reg. 27842 (April 18, 2024)) shall have no force or effect.

PART 3—REPEAL OF NHTSA RULE RELATING TO CAFE STANDARDS

SEC. 42301. REPEAL OF NHTSA RULE RELATING TO CAFE STANDARDS FOR PASSENGER CARS AND LIGHT TRUCKS.

The final rule issued by the National Highway Traffic Safety Administration relating to "Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027 and Beyond and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030 and Beyond" (89 Fed. Reg. 52540 (June 24, 2024)) shall have no force or effect.

Subtitle C—Communications

PART 1—SPECTRUM AUCTIONS

SEC. 43101. IDENTIFICATION AND AUCTION OF SPECTRUM.

(a) IDENTIFICATION.—

(1) IN GENERAL.—Not later than 2 years after the date of the enactment of this Act, the Assistant Secretary and the Commission shall identify, from spectrum in the covered band that is allocated for Federal use, non-Federal use, or shared Federal and non-Federal use, a total of not less than 600 megahertz of spectrum for reallocation for non-Federal use on an exclusive, licensed basis for mobile broadband services, fixed broadband services, mobile and fixed broadband services, or a combination thereof.

(2) WITHDRAWAL OR MODIFICATION OF FEDERAL GOVERNMENT ASSIGNMENTS.—The President, acting through the Assistant Secretary, shall—

(A) withdraw or modify the assignments to Federal Government stations of spectrum identified under paragraph (1) as necessary for the Commission to comply with subsection (b); and

(B) not later than 30 days after completing any necessary withdrawal or modification under subparagraph (A), notify the Commission that the withdrawal or modification is complete.

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to change the respective authorities of the Assistant Secretary and the Commission with respect to spectrum allocated for Federal use, non-Federal use, or shared Federal and non-Federal use.

(b) AUCTION.—

(1) IN GENERAL.—The Commission shall, through 1 or more systems of competitive bidding under section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)), grant licenses for the use of the spectrum identified under subsection (a) on an exclusive, licensed basis for mobile broadband services, fixed

broadband services, mobile and fixed broadband services, or a combination thereof.

(2) SCHEDULE.—Notwithstanding paragraph (15)(A) of section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)), the Commission shall auction spectrum under paragraph (1) of this subsection according to the following schedule:

(A) Not later than 3 years after the date of the enactment of this Act, the Commission shall complete 1 or more systems of competitive bidding for not less than 200 megahertz of such spectrum.

(B) Not later than 6 years after the date of the enactment of this Act, the Commission shall complete 1 or more systems of competitive bidding for any remaining spectrum required to be auctioned under paragraph (1) after compliance with subparagraph (A) of this paragraph.

(c) AUCTION PROCEEDS TO COVER 110 PERCENT OF FEDERAL RELOCATION OR SHARING COSTS.—Nothing in this section may be construed to relieve the Commission from the requirements of section 309(j)(16)(B) of the Communications Act of 1934 (47 U.S.C. 309(j)(16)(B)).

(d) AUCTION AUTHORITY.—Section 309(j)(11) of the Communications Act of 1934 (47 U.S.C. 309(j)(11)) is amended by striking "grant a license or permit under this subsection shall expire March 9, 2023" and all that follows and inserting "complete a system of competitive bidding under this subsection shall expire September 30, 2034.".

(e) DEFINITIONS.—In this section:

(1) ASSISTANT SECRETARY.—The term "Assistant Secretary" means the Assistant Secretary of Commerce for Communications and Information.

(2) COMMISSION.—The term "Commission" means the Federal Communications Commission.

(3) COVERED BAND.—

(A) IN GENERAL.—The term "covered band" means the band of frequencies between 1.3 gigahertz and 10 gigahertz, inclusive.

(B) EXCLUSION.—The term "covered band" does not include the following:

(i) The band of frequencies between 3.1 gigahertz and 3.45 gigahertz, inclusive.

(ii) The band of frequencies between 5.925 gigahertz and 7.125 gigahertz, inclusive.

PART 2—ARTIFICIAL INTELLIGENCE AND INFORMATION TECHNOLOGY MODERNIZATION

SEC. 43201. ARTIFICIAL INTELLIGENCE AND INFORMATION TECHNOLOGY MODERNIZATION INITIATIVE.

(a) APPROPRIATION OF FUNDS.—There is hereby appropriated to the Department of Commerce for fiscal year 2025, out of any funds in the Treasury not otherwise appropriated, $500,000,000, to remain available until September 30, 2035, to modernize and secure Federal information technology systems through the deployment of commercial artificial intelligence, the deployment of automation

technologies, and the replacement of antiquated business systems in accordance with subsection (b).

(b) AUTHORIZED USES.—The Secretary of Commerce shall use the funds appropriated under subsection (a) for the following:

(1) To replace or modernize, within the Department of Commerce, legacy business systems with state-of-the-art commercial artificial intelligence systems and automated decision systems.

(2) To facilitate, within the Department of Commerce, the adoption of artificial intelligence models that increase operational efficiency and service delivery.

(3) To improve, within the Department of Commerce, the cybersecurity posture of Federal information technology systems through modernized architecture, automated threat detection, and integrated artificial intelligence solutions.

(c) MORATORIUM.—

(1) IN GENERAL.—Except as provided in paragraph (2), no State or political subdivision thereof may enforce any law or regulation regulating artificial intelligence models, artificial intelligence systems, or automated decision systems during the 10-year period beginning on the date of the enactment of this Act.

(2) RULE OF CONSTRUCTION.—Paragraph (1) may not be construed to prohibit the enforcement of any law or regulation that—

(A) the primary purpose and effect of which is to remove legal impediments to, or facilitate the deployment or operation of, an artificial intelligence model, artificial intelligence system, or automated decision system;

(B) the primary purpose and effect of which is to streamline licensing, permitting, routing, zoning, procurement, or reporting procedures in a manner that facilitates the adoption of artificial intelligence models, artificial intelligence systems, or automated decision systems;

(C) does not impose any substantive design, performance, data-handling, documentation, civil liability, taxation, fee, or other requirement on artificial intelligence models, artificial intelligence systems, or automated decision systems unless such requirement—

(i) is imposed under Federal law; or

(ii) in the case of a requirement imposed under a generally applicable law, is imposed in the same manner on models and systems, other than artificial intelligence models, artificial intelligence systems, and automated decision systems, that provide comparable functions to artificial intelligence models, artificial intelligence systems, or automated decision systems; and

(D) does not impose a fee or bond unless—

(i) such fee or bond is reasonable and cost-based; and

(ii) under such fee or bond, artificial intelligence models, artificial intelligence systems, and automated decision systems are treated in the same manner as

other models and systems that perform comparable functions.

(d) DEFINITIONS.—In this section:

(1) ARTIFICIAL INTELLIGENCE.—The term "artificial intelligence" has the meaning given such term in section 5002 of the National Artificial Intelligence Initiative Act of 2020 (15 U.S.C. 9401).

(2) ARTIFICIAL INTELLIGENCE MODEL.—The term "artificial intelligence model" means a software component of an information system that implements artificial intelligence technology and uses computational, statistical, or machine-learning techniques to produce outputs from a defined set of inputs.

(3) ARTIFICIAL INTELLIGENCE SYSTEM.—The term "artificial intelligence system" means any data system, software, hardware, application, tool, or utility that operates, in whole or in part, using artificial intelligence.

(4) AUTOMATED DECISION SYSTEM.—The term "automated decision system" means any computational process derived from machine learning, statistical modeling, data analytics, or artificial intelligence that issues a simplified output, including a score, classification, or recommendation, to materially influence or replace human decision making.

Subtitle D—Health

PART 1—MEDICAID

Subpart A—Reducing Fraud and Improving Enrollment Processes

SEC. 44101. MORATORIUM ON IMPLEMENTATION OF RULE RELATING TO ELIGIBILITY AND ENROLLMENT IN MEDICARE SAVINGS PROGRAMS.

The Secretary of Health and Human Services shall not, during the period beginning on the date of the enactment of this section and ending January 1, 2035, implement, administer, or enforce the provisions of the final rule published by the Centers for Medicare & Medicaid Services on September 21, 2023, and titled "Streamlining Medicaid; Medicare Savings Program Eligibility Determination and Enrollment" (88 Fed. Reg. 65230).

SEC. 44102. MORATORIUM ON IMPLEMENTATION OF RULE RELATING TO ELIGIBILITY AND ENROLLMENT FOR MEDICAID, CHIP, AND THE BASIC HEALTH PROGRAM.

The Secretary of Health and Human Services shall not, during the period beginning on the date of the enactment of this section and ending January 1, 2035, implement, administer, or enforce the provisions of the final rule published by the Centers for Medicare & Medicaid Services on April 2, 2024, and titled "Medicaid Program; Streamlining the Medicaid, Children's Health Insurance Program, and Basic Health Program Application, Eligibility Determination, Enrollment, and Renewal Processes" (89 Fed. Reg. 22780).

SEC. 44103. ENSURING APPROPRIATE ADDRESS VERIFICATION UNDER THE MEDICAID AND CHIP PROGRAMS.

(a) MEDICAID.—

(1) IN GENERAL.—Section 1902 of the Social Security Act (42 U.S.C. 1396a) is amended—

(A) in subsection (a)—

(i) in paragraph (86), by striking "and" at the end;

(ii) in paragraph (87), by striking the period and inserting "; and"; and

(iii) by inserting after paragraph (87) the following new paragraph:

"(88) provide—

"(A) beginning not later than January 1, 2027, in the case of 1 of the 50 States and the District of Columbia, for a process to regularly obtain address information for individuals enrolled under such plan (or a waiver of such plan) in accordance with subsection (vv); and

"(B) beginning not later than October 1, 2029—

"(i) for the State to submit to the system established by the Secretary under subsection (uu), with respect to an individual enrolled or seeking to enroll under such plan, not less frequently than once each month and during each determination or redetermination of the eligibility of such individual for medical assistance under such plan (or waiver of such plan)—

"(I) the social security number of such individual, if such individual has a social security number and is required to provide such number to enroll under such plan (or waiver); and

"(II) such other information with respect to such individual as determined necessary by the Secretary for purposes of preventing individuals from simultaneously being enrolled under State plans (or waivers of such plans) of multiple States;

"(ii) for the use of such system to prevent such simultaneous enrollment; and

"(iii) in the case that such system indicates that an individual enrolled or seeking to enroll under such plan (or wavier of such plan) is enrolled under a State plan (or waiver of such a plan) of another State, for the taking of appropriate action (as determined by the Secretary) to identify whether such an individual resides in the State and disenroll an individual from the State plan of such State if such individual does not reside in such State (unless such individual meets such an exception as the Secretary may specify)."; and

(B) by adding at the end the following new subsections:

"(uu) PREVENTION OF ENROLLMENT UNDER MULTIPLE STATE PLANS.—

"(1) IN GENERAL.—Not later than October 1, 2029, the Secretary shall establish a system to be utilized by the Secretary and States to prevent an individual from being simultaneously enrolled under the State plans (or waivers of such plans) of multiple States. Such system shall—

"(A) provide for the receipt of information submitted by a State under subsection (a)(88)(B)(i); and

"(B) not less than once each month, notify or transmit information to a State (or allow the Secretary to notify or transmit information to a State) regarding whether an individual enrolled or seeking to enroll under the State plan of such State (or waiver of such plan) is enrolled under the State plan (or waiver of such plan) of another State.

"(2) STANDARDS.—The Secretary shall establish such standards as determined necessary by the Secretary to limit and protect information submitted under such system and ensure the privacy of such information, consistent with subsection (a)(7).

"(3) IMPLEMENTATION FUNDING.—There are appropriated to the Secretary, out of amounts in the Treasury not otherwise appropriated, in addition to amounts otherwise available—

"(A) for fiscal year 2026, $10,000,000 for purposes of establishing the system required under this subsection, to remain available until expended; and

"(B) for fiscal year 2029, $20,000,000 for purposes of maintaining such system, to remain available until expended.

"(vv) PROCESS TO OBTAIN ENROLLEE ADDRESS INFORMATION.—

"(1) IN GENERAL.—For purposes of subsection (a)(88)(A), a process to regularly obtain address information for individuals enrolled under a State plan (or a waiver of such plan) shall obtain address information from reliable data sources described in paragraph (2) and take such actions as the Secretary shall specify with respect to any changes to such address based on such information.

"(2) RELIABLE DATA SOURCES DESCRIBED.—For purposes of paragraph (1), the reliable data sources described in this paragraph are the following:

"(A) Mail returned to the State by the United States Postal Service with a forwarding address.

"(B) The National Change of Address Database maintained by the United States Postal Service.

"(C) A managed care entity (as defined in section 1932(a)(1)(B)) or prepaid inpatient health plan or prepaid ambulatory health plan (as such terms are defined in section 1903(m)(9)(D)) that has a contract under the State plan if the address information is provided to such entity or plan directly from, or verified by such entity or plan directly with, such individual.

"(D) Other data sources as identified by the State and approved by the Secretary.".

(2) CONFORMING AMENDMENTS.—

(A) PARIS.—Section 1903(r)(3) of the Social Security Act (42 U.S.C. 1396b(r)(3)) is amended—

(i) by striking "In order" and inserting "(A) In order";

(ii) by striking "through the Public" and inserting "through—

"(i) the Public";

(iii) by striking the period at the end and inserting "; and

"(ii) beginning October 1, 2029, the system established by the Secretary under section 1902(uu)."; and

(iv) by adding at the end the following new subparagraph:

"(B) Beginning October 1, 2029, the Secretary may determine that a State is not required to have in operation an eligibility determination system which provides for data matching through the system described in subparagraph (A)(i) to meet the requirements of this paragraph.".

(B) MANAGED CARE.—Section 1932 of the Social Security Act (42 U.S.C. 1396u–2) is amended by adding at the end the following new subsection:

"(j) TRANSMISSION OF ADDRESS INFORMATION.—Beginning January 1, 2027, each contract under a State plan with a managed care entity (as defined in section 1932(a)(1)(B)) or with a prepaid inpatient health plan or prepaid ambulatory health plan (as such terms are defined in section 1903(m)(9)(D)), shall provide that such entity or plan shall promptly transmit to the State any address information for an individual enrolled with such entity or plan that is provided to such entity or plan directly from, or verified by such entity or plan directly with, such individual.".

(b) CHIP.—

(1) IN GENERAL.—Section 2107(e)(1) of the Social Security Act (42 U.S.C. 1397gg(e)(1)) is amended—

(A) by redesignating subparagraphs (H) through (U) as subparagraphs (I) through (V), respectively; and

(B) by inserting after subparagraph (G) the following new subparagraph:

"(H) Section 1902(a)(88) (relating to address information for enrollees and prevention of simultaneous enrollments).".

(2) MANAGED CARE.—Section 2103(f)(3) of the Social Security Act (42 U.S.C. 1397cc(f)(3)) is amended by striking "and (e)" and inserting "(e), and (j)".

SEC. 44104. MODIFYING CERTAIN STATE REQUIREMENTS FOR ENSURING DECEASED INDIVIDUALS DO NOT REMAIN ENROLLED.

Section 1902 of the Social Security Act (42 U.S.C. 1396a), as amended by section 44103, is further amended—

(1) in subsection (a)—

(A) in paragraph (87), by striking "; and" and inserting a semicolon;

(B) in paragraph (88), by striking the period at the end and inserting "; and"; and

(C) by inserting after paragraph (88) the following new paragraph:

"(89) provide that the State shall comply with the eligibility verification requirements under subsection (ww), except that this paragraph shall apply only in the case of the 50 States and the District of Columbia."; and

(2) by adding at the end the following new subsection:

"(ww) VERIFICATION OF CERTAIN ELIGIBILITY CRITERIA.—

"(1) IN GENERAL.—For purposes of subsection (a)(89), the eligibility verification requirements, beginning January 1, 2028, are as follows:

"(A) QUARTERLY SCREENING TO VERIFY ENROLLEE STATUS.—The State shall, not less frequently than quarterly, review the Death Master File (as such term is defined in section 203(d) of the Bipartisan Budget Act of 2013) to determine whether any individuals enrolled for medical assistance under the State plan (or waiver of such plan) are deceased.

"(B) DISENROLLMENT UNDER STATE PLAN.—If the State determines, based on information obtained from the Death Master File, that an individual enrolled for medical assistance under the State plan (or waiver of such plan) is deceased, the State shall—

"(i) treat such information as factual information confirming the death of a beneficiary for purposes of section 431.213(a) of title 42, Code of Federal Regulations (or any successor regulation);

"(ii) disenroll such individual from the State plan (or waiver of such plan); and

"(iii) discontinue any payments for medical assistance under this title made on behalf of such individual (other than payments for any items or services furnished to such individual prior to the death of such individual).

"(C) REINSTATEMENT OF COVERAGE IN THE EVENT OF ERROR.—If a State determines that an individual was misidentified as deceased based on information obtained from the Death Master File and was erroneously disenrolled from medical assistance under the State plan (or waiver of such plan) based on such misidentification, the State shall immediately re-enroll such individual under the State plan (or waiver of such plan), retroactive to the date of such disenrollment.

"(2) RULE OF CONSTRUCTION.—Nothing under this subsection shall be construed to preclude the ability of a State to use other electronic data sources to timely identify potentially deceased beneficiaries, so long as the State is also in compliance with the requirements of this subsection (and all other requirements under this title relating to Medicaid eligibility determination and redetermination).".

SEC. 44105. MEDICAID PROVIDER SCREENING REQUIREMENTS.

Section 1902(kk)(1) of the Social Security Act (42 U.S.C. 1396a(kk)(1)) is amended—

(1) by striking "The State" and inserting:

"(A) IN GENERAL.—The State"; and

(2) by adding at the end the following new subparagraph:

"(B) ADDITIONAL PROVIDER SCREENING.—Beginning January 1, 2028, as part of the enrollment (or reenrollment or revalidation of enrollment) of a provider or supplier under this title, and not less frequently than monthly during the period that such provider or supplier is so enrolled, the State conducts a check of any database or similar system

developed pursuant to section 6401(b)(2) of the Patient Protection and Affordable Care Act to determine whether the Secretary has terminated the participation of such provider or supplier under title XVIII, or whether any other State has terminated the participation of such provider or supplier under such other State's State plan under this title (or waiver of the plan), or such other State's State child health plan under title XXI (or waiver of the plan).".

SEC. 44106. ADDITIONAL MEDICAID PROVIDER SCREENING REQUIREMENTS.

Section 1902(kk)(1) of the Social Security Act (42 U.S.C. 1396a(kk)(1)), as amended by section 44105, is further amended by adding at the end the following new subparagraph:

"(C) PROVIDER SCREENING AGAINST DEATH MASTER FILE.—Beginning January 1, 2028, as part of the enrollment (or reenrollment or revalidation of enrollment) of a provider or supplier under this title, and not less frequently than quarterly during the period that such provider or supplier is so enrolled, the State conducts a check of the Death Master File (as such term is defined in section 203(d) of the Bipartisan Budget Act of 2013) to determine whether such provider or supplier is deceased.".

SEC. 44107. REMOVING GOOD FAITH WAIVER FOR PAYMENT REDUCTION RELATED TO CERTAIN ERRONEOUS EXCESS PAYMENTS UNDER MEDICAID.

(a) IN GENERAL.—Section 1903(u)(1) of the Social Security Act (42 U.S.C. 1396b(u)(1)) is amended—

(1) in subparagraph (B)—

(A) by striking "The Secretary" and inserting "(i) Subject to clause (ii), the Secretary"; and

(B) by adding at the end the following new clause:

"(ii) The amount waived under clause (i) for a fiscal year may not exceed an amount equal to the difference between—

"(I) the amount of the reduction required under subparagraph (A) for such fiscal year (without application of this subparagraph); and

"(II) the sum of the erroneous excess payments for medical assistance described in subclauses (I) and (III) of subparagraph (D)(i) made for such fiscal year.";

(2) in subparagraph (C), by striking "he" in each place it appears and inserting "the Secretary" in each such place; and

(3) in subparagraph (D)(i)—

(A) in subclause (I), by striking "and" at the end;

(B) in subclause (II), by striking the period at the end and inserting ", and"; and

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

"(III) payments (other than payments described in subclause (I)) for items and services furnished to an eligible individual who is not eligible for medical assistance under the State plan (or a waiver of such plan) with respect to such items and services.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply beginning with respect to fiscal year 2030.

SEC. 44108. INCREASING FREQUENCY OF ELIGIBILITY REDETERMINATIONS FOR CERTAIN INDIVIDUALS.

Section 1902(e)(14) of the Social Security Act (42 U.S.C. 1396a(e)(14)) is amended by adding at the end the following new subparagraph:

"(L) FREQUENCY OF ELIGIBILITY REDETERMINATIONS FOR CERTAIN INDIVIDUALS.—Beginning on October 1, 2027, in the case of an individual enrolled under subsection (a)(10)(A)(i)(VIII), a State shall redetermine the eligibility of such individual for medical assistance under the State plan of such State (or a waiver of such plan) once every 6 months.".

SEC. 44109. REVISING HOME EQUITY LIMIT FOR DETERMINING ELIGIBILITY FOR LONG-TERM CARE SERVICES UNDER THE MEDICAID PROGRAM.

(a) REVISING HOME EQUITY LIMIT.—Section 1917(f)(1) of the Social Security Act (42 U.S.C. 1396p(f)(1)) is amended—

(1) in subparagraph (B)—

(A) by striking "A State" and inserting "(i) A State";

(B) in clause (i), as inserted by subparagraph (A)—

(i) by striking "'$500,000'" and inserting "the amount specified in subparagraph (A)"; and

(ii) by inserting ", in the case of an individual's home that is located on a lot that is zoned for agricultural use," after "apply subparagraph (A)"; and

(C) by adding at the end the following new clause:

"(ii) A State may elect, without regard to the requirements of section 1902(a)(1) (relating to statewideness) and section 1902(a)(10)(B) (relating to comparability), to apply subparagraph (A), in the case of an individual's home that is not described in clause (i), by substituting for the amount specified in such subparagraph, an amount that exceeds such amount, but does not exceed $1,000,000."; and

(2) in subparagraph (C)—

(A) by inserting "(other than the amount specified in subparagraph (B)(ii) (relating to certain non-agricultural homes))" after "specified in this paragraph"; and

(B) by adding at the end the following new sentence: "In the case that application of the preceding sentence would result in a dollar amount (other than the amount specified in subparagraph (B)(i) (relating to certain agricultural homes)) exceeding $1,000,000, such amount shall be deemed to be equal to $1,000,000.".

(b) CLARIFICATION.—Section 1902 of the Social Security Act (42 U.S.C. 1396a) is amended—

(1) in subsection (r)(2), by adding at the end the following new subparagraph:

"(C) This paragraph shall not be construed as permitting a State to determine the eligibility of an individual for medical assistance with respect to nursing facility services or other long-term care services without application of the limit under section 1917(f)(1).";

and

(2) in subsection (e)(14)(D)(iv)—

(A) by striking "Subparagraphs" and inserting

"(I) IN GENERAL.—Subparagraphs"; and

(B) by adding at the end the following new subclause:

"(II) APPLICATION OF HOME EQUITY INTEREST LIMIT.—Section 1917(f) shall apply for purposes of determining the eligibility of an individual for medical assistance with respect to nursing facility services or other long-term care services.".

(c) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply beginning on January 1, 2028.

SEC. 44110. PROHIBITING FEDERAL FINANCIAL PARTICIPATION UNDER MEDICAID AND CHIP FOR INDIVIDUALS WITHOUT VERIFIED CITIZENSHIP, NATIONALITY, OR SATISFACTORY IMMIGRATION STATUS.

(a) IN GENERAL.—

(1) MEDICAID.—Section 1903(i)(22) of the Social Security Act (42 U.S.C. 1396b(i)(22)) is amended—

(A) by adding "and" at the end;

(B) by striking "to amounts" and inserting "to—

"(A) amounts"; and

(C) by adding at the end the following new subparagraph:

"(B) in the case that the State elects under section 1902(a)(46)(C) to provide for making medical assistance available to an individual during—

"(i) the period in which the individual is provided the reasonable opportunity to present satisfactory documentary evidence of citizenship or nationality under section 1902(ee)(2)(C) or subsection (x)(4);

"(ii) the 90-day period described in section 1902(ee)(1)(B)(ii)(II); or

"(iii) the period in which the individual is provided the reasonable opportunity to submit evidence indicating a satisfactory immigration status under section 1137(d)(4),

amounts expended for such medical assistance, unless the citizenship or nationality of such individual or the satisfactory immigration status of such individual (as applicable) is verified by the end of such period;".

(2) CHIP.—Section 2107(e)(1)(N) of the Social Security Act (42 U.S.C. 1397gg(e)(1)(N)) is amended by striking "and (17)" and inserting "(17), and (22)".

(b) ELIMINATING STATE REQUIREMENT TO PROVIDE MEDICAL ASSISTANCE DURING REASONABLE OPPORTUNITY PERIOD.—

(1) DOCUMENTARY EVIDENCE OF CITIZENSHIP OR NATIONALITY.—Section 1903(x)(4) of the Social Security Act (42 U.S.C. 1396b(x)) is amended—

(A) by striking "under clauses (i) and (ii) of section 1137(d)(4)(A)" and inserting "under section 1137(d)(4)"; and

(B) by inserting ", except that the State shall not be required to make medical assistance available to such individual during the period in which such individual is provided such reasonable opportunity if the State has not

elected the option under section 1902(a)(46)(C)" before the period at the end.

(2) SOCIAL SECURITY DATA MATCH.—Section 1902(ee) of the Social Security Act (42 U.S.C. 1396a(ee)) is amended—

(A) in paragraph (1)(B)(ii)—

(i) in subclause (II), by striking "(and continues to provide the individual with medical assistance during such 90-day period)" and inserting "and, if the State has elected the option under subsection (a)(46)(C), continues to provide the individual with medical assistance during such 90-day period"; and

(ii) in subclause (III), by inserting ", or denies eligibility for medical assistance under this title for such individual, as applicable" after "under this title"; and

(B) in paragraph (2)(C)—

(i) by striking "under clauses (i) and (ii) of section 1137(d)(4)(A)" and inserting "under section 1137(d)(4)"; and

(ii) by inserting ", except that the State shall not be required to make medical assistance available to such individual during the period in which such individual is provided such reasonable opportunity if the State has not elected the option under section 1902(a)(46)(C)" before the period at the end.

(3) INDIVIDUALS WITH SATISFACTORY IMMIGRATION STATUS.—Section 1137(d)(4) of the Social Security Act (42 U.S.C. 1320b–7(d)(4)) is amended—

(A) in subparagraph (A)(ii), by inserting "(except that such prohibition on delay, denial, reduction, or termination of eligibility for benefits under the Medicaid program under title XIX shall apply only if the State has elected the option under section 1902(a)(46)(C))" after "has been provided"; and

(B) in subparagraph (B)(ii), by inserting "(except that such prohibition on delay, denial, reduction, or termination of eligibility for benefits under the Medicaid program under title XIX shall apply only if the State has elected the option under section 1902(a)(46)(C))" after "status".

(c) OPTION TO CONTINUE PROVIDING MEDICAL ASSISTANCE DURING REASONABLE OPPORTUNITY PERIOD.—

(1) MEDICAID.—Section 1902(a)(46) of the Social Security Act (42 U.S.C. 1396a(a)(46)) is amended—

(A) in subparagraph (A), by striking "and" at the end;

(B) in subparagraph (B)(ii), by adding "and" at the end; and

(C) by inserting after subparagraph (B)(ii) the following new subparagraph:

"(C) provide, at the option of the State, for making medical assistance available—

"(i) to an individual described in subparagraph (B) during the period in which such individual is provided the reasonable opportunity to present satisfactory documentary evidence of citizenship or nationality under subsection

(ee)(2)(C) or section 1903(x)(4), or during the 90-day period described in subsection (ee)(1)(B)(ii)(II); or

"(ii) to an individual who is not a citizen or national of the United States during the period in which such individual is provided the reasonable opportunity to submit evidence indicating a satisfactory immigration status under section 1137(d)(4);".

(2) CHIP.—Section 2105(c)(9) of the Social Security Act (42 U.S.C. 1397ee(c)(9)) is amended by adding at the end the following new subparagraph:

"(C) OPTION TO CONTINUE PROVIDING CHILD HEALTH ASSISTANCE DURING REASONABLE OPPORTUNITY PERIOD.—Section 1902(a)(46)(C) shall apply to States under this title in the same manner as it applies to a State under title XIX.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply beginning October 1, 2026.

SEC. 44111. REDUCING EXPANSION FMAP FOR CERTAIN STATES PROVIDING PAYMENTS FOR HEALTH CARE FURNISHED TO CERTAIN INDIVIDUALS.

Section 1905 of the Social Security Act (42 U.S.C. 1395d) is amended—

(1) in subsection (y)—

(A) in paragraph (1)(E), by inserting "(or, for calendar quarters beginning on or after October 1, 2027, in the case such State is a specified State with respect to such calendar quarter, 80 percent)" after "thereafter"; and

(B) in paragraph (2), by adding at the end the following new subparagraph:

"(C) SPECIFIED STATE.—The term 'specified State' means, with respect to a quarter, a State that—

"(i) provides any form of financial assistance during such quarter, in whole or in part, whether or not made under a State plan (or waiver of such plan) under this title or under another program established by the State, and regardless of the source of funding for such assistance, to or on behalf of an alien who is not a qualified alien or otherwise lawfully residing in the United States for the purchasing of health insurance coverage (as defined in section 2791(b)(1) of the Public Health Service Act) for an alien who is not a qualified alien or otherwise lawfully residing in the United States; or

"(ii) provides any form of comprehensive health benefits coverage during such quarter, whether or not under a State plan (or wavier of such plan) under this title or under another program established by the State, and regardless of the source of funding for such coverage, to an alien who is not a qualified alien or otherwise lawfully residing in the United States.

"(D) IMMIGRATION TERMS.—

"(i) ALIEN.—The term 'alien' has the meaning given such term in section 101(a) of the Immigration and Nationality Act.

"(ii) QUALIFIED ALIEN.—The term 'qualified alien' has the meaning given such term in section 431 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, except that—

"(I) the reference to 'at the time the alien applies for, receives, or attempts to receive a Federal public benefit' in subsection (b) of such section shall be treated as a reference to 'at the time the alien is provided comprehensive health benefits coverage described in clause (ii) of section 1905(y)(C) of the Social Security Act or is provided with financial assistance described in clause (i) of such section, as applicable'; and

"(II) the references to '(in the opinion of the agency providing such benefits)' in subsection (c) of such section shall be treated as references to '(in the opinion of the State in which such comprehensive health benefits coverage or such financial assistance is provided, as applicable)'."; and

(2) in subsection (z)(2)—

(A) in subparagraph (A), by striking "for such year" and inserting "for such quarter"; and

(B) in subparagraph (B)(i)—

(i) in the matter preceding subclause (I), by striking "for a year" and inserting "for a calendar quarter in a year"; and

(ii) in subclause (II), by striking "for the year" and inserting "for the quarter for the State".

Subpart B—Preventing Wasteful Spending

SEC. 44121. MORATORIUM ON IMPLEMENTATION OF RULE RELATING TO STAFFING STANDARDS FOR LONG-TERM CARE FACILITIES UNDER THE MEDICARE AND MEDICAID PROGRAMS.

The Secretary of Health and Human Services shall not, during the period beginning on the date of the enactment of this section and ending January 1, 2035, implement, administer, or enforce the provisions of the final rule published by the Centers for Medicare & Medicaid Services on May 10, 2024, and titled "Medicare and Medicaid Programs; Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting" (89 Fed. Reg. 40876).

SEC. 44122. MODIFYING RETROACTIVE COVERAGE UNDER THE MEDICAID AND CHIP PROGRAMS.

(a) IN GENERAL.—Section 1902(a)(34) of the Social Security Act (42 U.S.C. 1396a(a)(34)) is amended—

(1) by striking "him" and inserting "the individual";

(2) by striking "the third month" and inserting "the month";

(3) by striking "he" and inserting "the individual"; and

(4) by striking "his" and inserting "the individual's".

(b) DEFINITION OF MEDICAL ASSISTANCE.—Section 1905(a) of the Social Security Act (42 U.S.C. 1396d(a)) is amended by striking "in or after the third month before the month in which the recipient makes application for assistance" and inserting "in or after the

month before the month in which the recipient makes application for assistance".

(c) CHIP.—Section 2102(b)(1)(B) of the Social Security Act (42 U.S.C. 1397bb(b)(1)(B)) is amended—

(1) in clause (iv), by striking "and" at the end;

(2) in clause (v), by striking the period and inserting "; and"; and

(3) by adding at the end the following new clause:

"(vi) shall, in the case that the State elects to provide child health or pregnancy-related assistance to an individual for any period prior to the month in which the individual made application for such assistance (or application was made on behalf of the individual), provide that such assistance is not made available to such individual for items and services included under the State child health plan (or waiver of such plan) that are furnished before the month preceding the month in which such individual made application (or application was made on behalf of such individual) for such assistance.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to medical assistance and child health and pregnancy-related assistance with respect to individuals whose eligibility for such medical assistance or child health assistance is based on an application made on or after October 1, 2026.

SEC. 44123. ENSURING ACCURATE PAYMENTS TO PHARMACIES UNDER MEDICAID.

(a) IN GENERAL.—Section 1927(f) of the Social Security Act (42 U.S.C. 1396r–8(f)) is amended—

(1) in paragraph (1)(A)—

(A) by redesignating clause (ii) as clause (iii); and

(B) by striking "and" after the semicolon at the end of clause (i) and all that precedes it through "(1)" and inserting the following:

"(1) DETERMINING PHARMACY ACTUAL ACQUISITION COSTS.—The Secretary shall conduct a survey of retail community pharmacy drug prices and applicable non-retail pharmacy drug prices to determine national average drug acquisition cost benchmarks (as such term is defined by the Secretary) as follows:

"(A) USE OF VENDOR.—The Secretary may contract services for—

"(i) with respect to retail community pharmacies, the determination of retail survey prices of the national average drug acquisition cost for covered outpatient drugs that represent a nationwide average of consumer purchase prices for such drugs, net of all discounts, rebates, and other price concessions (to the extent any information with respect to such discounts, rebates, and other price concessions is available) based on a monthly survey of such pharmacies;

"(ii) with respect to applicable non-retail pharmacies—

"(I) the determination of survey prices, separate from the survey prices described in clause (i), of the non-retail national average drug acquisition cost for covered outpatient drugs that represent a nationwide average of consumer purchase prices for such drugs, net of all discounts, rebates, and other price concessions (to the extent any information with respect to such discounts, rebates, and other price concessions is available) based on a monthly survey of such pharmacies; and

"(II) at the discretion of the Secretary, for each type of applicable non-retail pharmacy, the determination of survey prices, separate from the survey prices described in clause (i) or subclause (I) of this clause, of the national average drug acquisition cost for such type of pharmacy for covered outpatient drugs that represent a nationwide average of consumer purchase prices for such drugs, net of all discounts, rebates, and other price concessions (to the extent any information with respect to such discounts, rebates, and other price concessions is available) based on a monthly survey of such pharmacies; and";

(2) in subparagraph (B) of paragraph (1), by striking "subparagraph (A)(ii)" and inserting "subparagraph (A)(iii)";

(3) in subparagraph (D) of paragraph (1), by striking clauses (ii) and (iii) and inserting the following:

"(ii) The vendor must update the Secretary no less often than monthly on the survey prices for covered outpatient drugs.

"(iii) The vendor must differentiate, in collecting and reporting survey data, for all cost information collected, whether a pharmacy is a retail community pharmacy or an applicable non-retail pharmacy, including whether such pharmacy is an affiliate (as defined in subsection (k)(14)), and, in the case of an applicable non-retail pharmacy, which type of applicable non-retail pharmacy it is using the relevant pharmacy type indicators included in the guidance required by subsection (d)(2) of section 44123 of the Act titled 'An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14'.";

(4) by adding at the end of paragraph (1) the following:

"(F) SURVEY REPORTING.—In order to meet the requirement of section 1902(a)(54), a State shall require that any retail community pharmacy or applicable non-retail pharmacy in the State that receives any payment, reimbursement, administrative fee, discount, rebate, or other price concession related to the dispensing of covered outpatient drugs to individuals receiving benefits under this title, regardless of whether such payment, reimbursement, administrative fee, discount, rebate, or other price concession is received from the State or a managed care entity or other specified entity (as such terms are defined in section

1903(m)(9)(D)) directly or from a pharmacy benefit manager or another entity that has a contract with the State or a managed care entity or other specified entity (as so defined), shall respond to surveys conducted under this paragraph.

"(G) SURVEY INFORMATION.—Information on national drug acquisition prices obtained under this paragraph shall be made publicly available in a form and manner to be determined by the Secretary and shall include at least the following:

"(i) The monthly response rate to the survey including a list of pharmacies not in compliance with subparagraph (F).

"(ii) The sampling methodology and number of pharmacies sampled monthly.

"(iii) Information on price concessions to pharmacies, including discounts, rebates, and other price concessions, to the extent that such information may be publicly released and has been collected by the Secretary as part of the survey.

"(H) PENALTIES.—

"(i) IN GENERAL.—Subject to clauses (ii), (iii), and (iv), the Secretary shall enforce the provisions of this paragraph with respect to a pharmacy through the establishment of civil money penalties applicable to a retail community pharmacy or an applicable non-retail pharmacy.

"(ii) BASIS FOR PENALTIES.—The Secretary shall impose a civil money penalty established under this subparagraph on a retail community pharmacy or applicable non-retail pharmacy if—

"(I) the retail pharmacy or applicable non-retail pharmacy refuses or otherwise fails to respond to a request for information about prices in connection with a survey under this subsection;

"(II) knowingly provides false information in response to such a survey; or

"(III) otherwise fails to comply with the requirements established under this paragraph.

"(iii) PARAMETERS FOR PENALTIES.—

"(I) IN GENERAL.—A civil money penalty established under this subparagraph may be assessed with respect to each violation, and with respect to each non-compliant retail community pharmacy (including a pharmacy that is part of a chain) or non-compliant applicable non-retail pharmacy (including a pharmacy that is part of a chain), in an amount not to exceed $100,000 for each such violation.

"(II) CONSIDERATIONS.—In determining the amount of a civil money penalty imposed under this subparagraph, the Secretary may consider the size, business structure, and type of pharmacy involved, as well as the type of violation and other

relevant factors, as determined appropriate by the Secretary.

"(iv) RULE OF APPLICATION.—The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under this subparagraph in the same manner as such provisions apply to a civil money penalty or proceeding under section 1128A(a).

"(I) LIMITATION ON USE OF APPLICABLE NON-RETAIL PHARMACY PRICING INFORMATION.—No State shall use pricing information reported by applicable non-retail pharmacies under subparagraph (A)(ii) to develop or inform payment methodologies for retail community pharmacies.";

(5) in paragraph (2)—

(A) in subparagraph (A), by inserting ", including payment rates and methodologies for determining ingredient cost reimbursement under managed care entities or other specified entities (as such terms are defined in section 1903(m)(9)(D))," after "under this title"; and

(B) in subparagraph (B), by inserting "and the basis for such dispensing fees" before the semicolon;

(6) by redesignating paragraph (4) as paragraph (5);

(7) by inserting after paragraph (3) the following new paragraph:

"(4) OVERSIGHT.—

"(A) IN GENERAL.—The Inspector General of the Department of Health and Human Services shall conduct periodic studies of the survey data reported under this subsection, as appropriate, including with respect to substantial variations in acquisition costs or other applicable costs, as well as with respect to how internal transfer prices and related party transactions may influence the costs reported by pharmacies that are affiliates (as defined in subsection (k)(13)) or are owned by, controlled by, or related under a common ownership structure with a wholesaler, distributor, or other entity that acquires covered outpatient drugs relative to costs reported by pharmacies not affiliated with such entities. The Inspector General shall provide periodic updates to Congress on the results of such studies, as appropriate, in a manner that does not disclose trade secrets or other proprietary information.

"(B) APPROPRIATION.—There is appropriated to the Inspector General of the Department of Health and Human Services, out of any money in the Treasury not otherwise appropriated, $5,000,000 for fiscal year 2026, to remain available until expended, to carry out this paragraph."; and

(8) in paragraph (5), as so redesignated—

(A) by inserting ", and $8,000,000 for each of fiscal years 2026 through 2033," after "2010"; and

(B) by inserting "Funds appropriated under this paragraph for each of fiscal years 2026 through 2033 shall remain available until expended." after the period.

(b) DEFINITIONS.—Section 1927(k) of the Social Security Act (42 U.S.C. 1396r–8(k)) is amended—

(1) in the matter preceding paragraph (1), by striking "In the section" and inserting "In this section"; and

(2) by adding at the end the following new paragraphs:

"(12) APPLICABLE NON-RETAIL PHARMACY.—The term 'applicable non-retail pharmacy' means a pharmacy that is licensed as a pharmacy by the State and that is not a retail community pharmacy, including a pharmacy that dispenses prescription medications to patients primarily through mail and specialty pharmacies. Such term does not include nursing home pharmacies, long-term care facility pharmacies, hospital pharmacies, clinics, charitable or not-for-profit pharmacies, government pharmacies, or low dispensing pharmacies (as defined by the Secretary).

"(13) AFFILIATE.—The term 'affiliate' means any entity that is owned by, controlled by, or related under a common ownership structure with a pharmacy benefit manager or a managed care entity or other specified entity (as such terms are defined in section 1903(m)(9)(D)).".

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Subject to paragraph (2), the amendments made by this section shall apply beginning on the first day of the first quarter that begins on or after the date that is 6 months after the date of enactment of this section.

(2) DELAYED APPLICATION TO APPLICABLE NON-RETAIL PHARMACIES.—The pharmacy survey requirements established by the amendments to section 1927(f) of the Social Security Act (42 U.S.C. 1396r–8(f)) made by this section shall apply to retail community pharmacies beginning on the effective date described in paragraph (1), but shall not apply to applicable non-retail pharmacies until the first day of the first quarter that begins on or after the date that is 18 months after the date of enactment of this section.

(d) IDENTIFICATION OF APPLICABLE NON-RETAIL PHARMACIES.—

(1) IN GENERAL.—Not later than January 1, 2027, the Secretary of Health and Human Services shall, in consultation with stakeholders as appropriate, publish guidance specifying pharmacies that meet the definition of applicable non-retail pharmacies (as such term is defined in subsection (k)(12) of section 1927 of the Social Security Act (42 U.S.C. 1396r–8), as added by subsection (b)), and that will be subject to the survey requirements under subsection (f)(1) of such section, as amended by subsection (a).

(2) INCLUSION OF PHARMACY TYPE INDICATORS.—The guidance published under paragraph (1) shall include pharmacy type indicators to distinguish between different types of applicable non-retail pharmacies, such as pharmacies that dispense prescriptions primarily through the mail and pharmacies that dispense prescriptions that require special handling or distribution. An applicable non-retail pharmacy may be identified through multiple pharmacy type indicators.

(e) IMPLEMENTATION.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary of Health and Human Services may implement the amendments made by this section by program instruction or otherwise.

(2) NONAPPLICATION OF ADMINISTRATIVE PROCEDURE ACT.—Implementation of the amendments made by this section shall be exempt from the requirements of section 553 of title 5, United States Code.

(f) NONAPPLICATION OF PAPERWORK REDUCTION ACT.—Chapter 35 of title 44, United States Code, shall not apply to any data collection undertaken by the Secretary of Health and Human Services under section 1927(f) of the Social Security Act (42 U.S.C. 1396r–8(f)), as amended by this section.

SEC. 44124. PREVENTING THE USE OF ABUSIVE SPREAD PRICING IN MEDICAID.

(a) IN GENERAL.—Section 1927 of the Social Security Act (42 U.S.C. 1396r–8) is amended—

(1) in subsection (e), by adding at the end the following new paragraph:

"(6) TRANSPARENT PRESCRIPTION DRUG PASS-THROUGH PRICING REQUIRED.—

"(A) IN GENERAL.—A contract between the State and a pharmacy benefit manager (referred to in this paragraph as a 'PBM'), or a contract between the State and a managed care entity or other specified entity (as such terms are defined in section 1903(m)(9)(D) and collectively referred to in this paragraph as the 'entity') that includes provisions making the entity responsible for coverage of covered outpatient drugs dispensed to individuals enrolled with the entity, shall require that payment for such drugs and related administrative services (as applicable), including payments made by a PBM on behalf of the State or entity, is based on a transparent prescription drug pass-through pricing model under which—

"(i) any payment made by the entity or the PBM (as applicable) for such a drug—

"(I) is limited to—

"(aa) ingredient cost; and

"(bb) a professional dispensing fee that is not less than the professional dispensing fee that the State would pay if the State were making the payment directly in accordance with the State plan;

"(II) is passed through in its entirety (except as reduced under Federal or State laws and regulations in response to instances of waste, fraud, or abuse) by the entity or PBM to the pharmacy or provider that dispenses the drug; and

"(III) is made in a manner that is consistent with sections 447.502, 447.512, 447.514, and 447.518 of title 42, Code of Federal Regulations (or any successor regulation) as if such requirements applied directly to the entity or the PBM, except that any payment by the entity or the PBM

for the ingredient cost of such drug purchased by a covered entity (as defined in subsection (a)(5)(B)) may exceed the actual acquisition cost (as defined in 447.502 of title 42, Code of Federal Regulations, or any successor regulation) for such drug if—

"(aa) such drug was subject to an agreement under section 340B of the Public Health Service Act;

"(bb) such payment for the ingredient cost of such drug does not exceed the maximum payment that would have been made by the entity or the PBM for the ingredient cost of such drug if such drug had not been purchased by such covered entity; and

"(cc) such covered entity reports to the Secretary (in a form and manner specified by the Secretary), on an annual basis and with respect to payments for the ingredient costs of such drugs so purchased by such covered entity that are in excess of the actual acquisition costs for such drugs, the aggregate amount of such excess;

"(ii) payment to the entity or the PBM (as applicable) for administrative services performed by the entity or PBM is limited to an administrative fee that reflects the fair market value (as defined by the Secretary) of such services;

"(iii) the entity or the PBM (as applicable) makes available to the State, and the Secretary upon request in a form and manner specified by the Secretary, all costs and payments related to covered outpatient drugs and accompanying administrative services (as described in clause (ii)) incurred, received, or made by the entity or the PBM, broken down (as specified by the Secretary), to the extent such costs and payments are attributable to an individual covered outpatient drug, by each such drug, including any ingredient costs, professional dispensing fees, administrative fees (as described in clause (ii)), post-sale and post-invoice fees, discounts, or related adjustments such as direct and indirect remuneration fees, and any and all other remuneration, as defined by the Secretary; and

"(iv) any form of spread pricing whereby any amount charged or claimed by the entity or the PBM (as applicable) that exceeds the amount paid to the pharmacies or providers on behalf of the State or entity, including any post-sale or post-invoice fees, discounts, or related adjustments such as direct and indirect remuneration fees or assessments, as defined by the Secretary, (after allowing for an administrative fee as described in clause (ii)) is not allowable for purposes of claiming Federal matching payments under this title.

"(B) PUBLICATION OF INFORMATION.—The Secretary shall publish, not less frequently than on an annual basis and in a manner that does not disclose the identity of a particular covered entity or organization, information received by the Secretary pursuant to subparagraph (A)(iii)(III) that is broken out by State and by each of the following categories of covered entity within each such State:

"(i) Covered entities described in subparagraph (A) of section 340B(a)(4) of the Public Health Service Act.

"(ii) Covered entities described in subparagraphs (B) through (K) of such section.

"(iii) Covered entities described in subparagraph (L) of such section.

"(iv) Covered entities described in subparagraph (M) of such section.

"(v) Covered entities described in subparagraph (N) of such section.

"(vi) Covered entities described in subparagraph (O) of such section."; and

(2) in subsection (k), as previously amended by this subtitle, by adding at the end the following new paragraph:

"(14) PHARMACY BENEFIT MANAGER.—The term 'pharmacy benefit manager' means any person or entity that, either directly or through an intermediary, acts as a price negotiator or group purchaser on behalf of a State, managed care entity (as defined in section 1903(m)(9)(D)), or other specified entity (as so defined), or manages the prescription drug benefits provided by a State, managed care entity, or other specified entity, including the processing and payment of claims for prescription drugs, the performance of drug utilization review, the processing of drug prior authorization requests, the managing of appeals or grievances related to the prescription drug benefits, contracting with pharmacies, controlling the cost of covered outpatient drugs, or the provision of services related thereto. Such term includes any person or entity that acts as a price negotiator (with regard to payment amounts to pharmacies and providers for a covered outpatient drug or the net cost of the drug) or group purchaser on behalf of a State, managed care entity, or other specified entity or that carries out 1 or more of the other activities described in the preceding sentence, irrespective of whether such person or entity calls itself a pharmacy benefit manager.".

(b) CONFORMING AMENDMENTS.—Section 1903(m) of such Act (42 U.S.C. 1396b(m)) is amended—

(1) in paragraph (2)(A)(xiii)—

(A) by striking "and (III)" and inserting "(III)";

(B) by inserting before the period at the end the following: ", and (IV) if the contract includes provisions making the entity responsible for coverage of covered outpatient drugs, the entity shall comply with the requirements of section 1927(e)(6)"; and

(C) by moving the left margin 2 ems to the left; and

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

"(10) No payment shall be made under this title to a State with respect to expenditures incurred by the State for payment for services provided by an other specified entity (as defined in paragraph (9)(D)(iii)) unless such services are provided in accordance with a contract between the State and such entity which satisfies the requirements of paragraph (2)(A)(xiii).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contracts between States and managed care entities, other specified entities, or pharmacy benefit managers that have an effective date beginning on or after the date that is 18 months after the date of enactment of this section.

(d) IMPLEMENTATION.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary of Health and Human Services may implement the amendments made by this section by program instruction or otherwise.

(2) NONAPPLICATION OF ADMINISTRATIVE PROCEDURE ACT.—Implementation of the amendments made by this section shall be exempt from the requirements of section 553 of title 5, United States Code.

(e) NONAPPLICATION OF PAPERWORK REDUCTION ACT.—Chapter 35 of title 44, United States Code, shall not apply to any data collection undertaken by the Secretary of Health and Human Services under section 1927(e) of the Social Security Act (42 U.S.C. 1396r–8(e)), as amended by this section.

SEC. 44125. PROHIBITING FEDERAL MEDICAID AND CHIP FUNDING FOR GENDER TRANSITION PROCEDURES FOR MINORS.

(a) MEDICAID.—Section 1903(i) of the Social Security Act (42 U.S.C. 1396b(i)) is amended—

(1) in paragraph (26), by striking "; or" and inserting a semicolon;

(2) in paragraph (27), by striking the period at the end and inserting "; or";

(3) by inserting after paragraph (27) the following new paragraph:

"(28) with respect to any amount expended for specified gender transition procedures (as defined in section 1905(kk)) furnished to an individual under 18 years of age enrolled in a State plan (or waiver of such plan).''; and

(4) in the flush left matter at the end, by striking "and (18)," and inserting "(18), and (28)".

(b) CHIP.—Section 2107(e)(1)(N) of the Social Security Act (42 U.S.C. 1397gg(e)(1)(N)) is amended by striking "and (17)" and inserting "(17), and (28)".

(c) SPECIFIED GENDER TRANSITION PROCEDURES DEFINED.—Section 1905 of the Social Security Act (42 U.S.C. 1396d) is amended by adding at the end the following new subsection:

"(kk) SPECIFIED GENDER TRANSITION PROCEDURES.—

"(1) IN GENERAL.—For purposes of section 1903(i)(28), except as provided in paragraph (2), the term 'specified gender transition procedure' means, with respect to an individual, any of the following when performed for the purpose of intentionally changing the body of such individual (including by disrupting the body's development, inhibiting its natural functions, or

modifying its appearance) to no longer correspond to the individual's sex:

"(A) Performing any surgery, including—

"(i) castration;

"(ii) sterilization;

"(iii) orchiectomy;

"(iv) scrotoplasty;

"(v) vasectomy;

"(vi) tubal ligation;

"(vii) hysterectomy;

"(viii) oophorectomy;

"(ix) ovariectomy;

"(x) metoidioplasty;

"(xi) clitoroplasty;

"(xii) reconstruction of the fixed part of the urethra with or without a metoidioplasty or a phalloplasty;

"(xiii) penectomy;

"(xiv) phalloplasty;

"(xv) vaginoplasty;

"(xvi) vaginectomy;

"(xvii) vulvoplasty;

"(xviii) reduction thyrochondroplasty;

"(xix) chondrolaryngoplasty;

"(xx) mastectomy; and

"(xxi) any plastic, cosmetic, or aesthetic surgery that feminizes or masculinizes the facial or other body features of an individual.

"(B) Any placement of chest implants to create feminine breasts or any placement of erection or testicular prostheses.

"(C) Any placement of fat or artificial implants in the gluteal region.

"(D) Administering, prescribing, or dispensing to an individual medications, including—

"(i) gonadotropin-releasing hormone (GnRH) analogues or other puberty-blocking drugs to stop or delay normal puberty; and

"(ii) testosterone, estrogen, or other androgens to an individual at doses that are supraphysiologic than would normally be produced endogenously in a healthy individual of the same age and sex.

"(2) EXCEPTION.—Paragraph (1) shall not apply to the following when furnished to an individual by a health care provider with the consent of such individual's parent or legal guardian:

"(A) Puberty suppression or blocking prescription drugs for the purpose of normalizing puberty for an individual experiencing precocious puberty.

"(B) Medically necessary procedures or treatments to correct for—

"(i) a medically verifiable disorder of sex development, including—

"(I) 46,XX chromosomes with virilization;

"(II) 46,XY chromosomes with undervirilization; and

"(III) both ovarian and testicular tissue;

"(ii) sex chromosome structure, sex steroid hormone production, or sex hormone action, if determined to be abnormal by a physician through genetic or biochemical testing;

"(iii) infection, disease, injury, or disorder caused or exacerbated by a previous procedure described in paragraph (1), or a physical disorder, physical injury, or physical illness that would, as certified by a physician, place the individual in imminent danger of death or impairment of a major bodily function unless the procedure is performed, not including procedures performed for the alleviation of mental distress; or

"(iv) procedures to restore or reconstruct the body of the individual in order to correspond to the individual's sex after one or more previous procedures described in paragraph (1), which may include the removal of a pseudo phallus or breast augmentation.

"(3) SEX.—For purposes of paragraph (1), the term 'sex' means either male or female, as biologically determined and defined in paragraphs (4) and (5), respectively.

"(4) FEMALE.—For purposes of paragraph (3), the term 'female' means an individual who naturally has, had, will have, or would have, but for a developmental or genetic anomaly or historical accident, the reproductive system that at some point produces, transports, and utilizes eggs for fertilization.

"(5) MALE.—For purposes of paragraph (3), the term 'male' means an individual who naturally has, had, will have, or would have, but for a developmental or genetic anomaly or historical accident, the reproductive system that at some point produces, transports, and utilizes sperm for fertilization.".

SEC. 44126. FEDERAL PAYMENTS TO PROHIBITED ENTITIES.

(a) IN GENERAL.—No Federal funds that are considered direct spending and provided to carry out a State plan under title XIX of the Social Security Act or a waiver of such a plan shall be used to make payments to a prohibited entity for items and services furnished during the 10-year period beginning on the date of the enactment of this Act, including any payments made directly to the prohibited entity or under a contract or other arrangement between a State and a covered organization.

(b) DEFINITIONS.—In this section:

(1) PROHIBITED ENTITY.—The term "prohibited entity" means an entity, including its affiliates, subsidiaries, successors, and clinics—

(A) that, as of the date of enactment of this Act—

(i) is an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code;

(ii) is an essential community provider described in section 156.235 of title 45, Code of Federal Regulations (as in effect on the date of enactment of this Act), that is primarily engaged in family planning

services, reproductive health, and related medical care; and

(iii) provides for abortions, other than an abortion—

(I) if the pregnancy is the result of an act of rape or incest; or

(II) in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed; and

(B) for which the total amount of Federal and State expenditures under the Medicaid program under title XIX of the Social Security Act in fiscal year 2024 made directly, or by a covered organization, to the entity or to any affiliates, subsidiaries, successors, or clinics of the entity, or made to the entity or to any affiliates, subsidiaries, successors, or clinics of the entity as part of a nationwide health care provider network, exceeded $1,000,000.

(2) DIRECT SPENDING.—The term "direct spending" has the meaning given that term under section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900(c)).

(3) COVERED ORGANIZATION.—The term "covered organization" means a managed care entity (as defined in section 1932(a)(1)(B) of the Social Security Act (42 U.S.C. 1396u–2(a)(1)(B))) or a prepaid inpatient health plan or prepaid ambulatory health plan (as such terms are defined in section 1903(m)(9)(D) of such Act (42 U.S.C. 1396b(m)(9)(D))).

(4) STATE.—The term "State" has the meaning given such term in section 1101 of the Social Security Act (42 U.S.C. 1301).

Subpart C—Stopping Abusive Financing Practices

SEC. 44131. SUNSETTING ELIGIBILITY FOR INCREASED FMAP FOR NEW EXPANSION STATES.

Section 1905(ii)(3) of the Social Security Act (42 U.S.C. 1396d(ii)(3)) is amended—

(1) by striking "which has not" and inserting the following: "which—

"(A) has not";

(2) in subparagraph (A), as so inserted, by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(B) begins to expend amounts for all such individuals prior to January 1, 2026.".

SEC. 44132. MORATORIUM ON NEW OR INCREASED PROVIDER TAXES.

Section 1903(w)(1)(A)(iii) of the Social Security Act (42 U.S.C. 1396b(w)(1)(A)(iii)) is amended—

(1) by striking "or" at the end;

(2) by striking "if there" and inserting "if—

"(I) there"; and

(3) by adding at the end the following new subclauses:

"(II) the tax is first imposed by the State (or by a unit of local government in the State) on or after the date of the enactment of this subclause (other than such a tax for which the legislation or regulations providing for the imposition of such tax were enacted or adopted prior to such date of enactment); or

"(III) on or after the date of the enactment of this subclause, the State (or unit of local government) increases the amount or rate of tax imposed with respect to a class of health care items or services (or with respect to a type of provider or activity within such a class), or increases the base of the tax such that the tax is imposed with respect to a class of items or services (or with respect to a type of provider or activity within such a class) to which the tax did not previously apply, but only to the extent that such revenues are attributable to such increase and only if such increase was not provided for in legislation or regulations enacted or adopted prior to such date of enactment; or".

SEC. 44133. REVISING THE PAYMENT LIMIT FOR CERTAIN STATE DIRECTED PAYMENTS.

(a) IN GENERAL.—Subject to subsection (b), the Secretary of Health and Human Services shall revise section 438.6(c)(2)(iii) of title 42, Code of Federal Regulations (or a successor regulation) such that, with respect to a payment described in such section made for a service furnished during a rating period beginning on or after the date of the enactment of this Act, the total payment rate for such service is limited to 100 percent of the specified total published Medicare payment rate.

(b) GRANDFATHERING CERTAIN PAYMENTS.—In the case of a payment described in section 438.6(c)(2)(iii) of title 42, Code of Federal Regulations (or a successor regulation) for which written prior approval was made before the date of the enactment of this Act for the rating period occurring as of such date of enactment, or a payment so described for such rating period for which a preprint was submitted to the Secretary of Health and Human Services prior to such date of enactment, the revisions described in subsection (a) shall not apply to such payment for such rating period and for any subsequent rating period if the amount of such payment does not exceed the amount of such payment so approved.

(c) DEFINITIONS.—In this section:

(1) RATING PERIOD.—The term "rating period" has the meaning given such term in section 438.2 of title 42, Code of Federal Regulations (or a successor regulation).

(2) TOTAL PUBLISHED MEDICARE PAYMENT RATE.—The term "total published Medicare payment rate" means amounts calculated as payment for specific services that have been developed under part A or part B of title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.).

(3) WRITTEN PRIOR APPROVAL.—The term "written prior approval" has the meaning given such term in section 438.6(c)(2)(i) of title 42, Code of Federal Regulations (or a successor regulation).

(d) FUNDING.—There are appropriated out of any monies in the Treasury not otherwise appropriated $7,000,000 for each of fiscal years 2026 through 2033 for purposes of carrying out this section.

SEC. 44134. REQUIREMENTS REGARDING WAIVER OF UNIFORM TAX REQUIREMENT FOR MEDICAID PROVIDER TAX.

(a) IN GENERAL.—Section 1903(w) of the Social Security Act (42 U.S.C. 1396b(w)) is amended—

(1) in paragraph (3)(E), by inserting after clause (ii)(II) the following new clause:

"(iii) For purposes of clause (ii)(I), a tax is not considered to be generally redistributive if any of the following conditions apply:

"(I) Within a permissible class, the tax rate imposed on any taxpayer or tax rate group (as defined in paragraph (7)(J)) explicitly defined by its relatively lower volume or percentage of Medicaid taxable units (as defined in paragraph (7)(H)) is lower than the tax rate imposed on any other taxpayer or tax rate group explicitly defined by its relatively higher volume or percentage of Medicaid taxable units.

"(II) Within a permissible class, the tax rate imposed on any taxpayer or tax rate group (as so defined) based upon its Medicaid taxable units (as so defined) is higher than the tax rate imposed on any taxpayer or tax rate group based upon its non-Medicaid taxable unit (as defined in paragraph (7)(I)).

"(III) The tax excludes or imposes a lower tax rate on a taxpayer or tax rate group (as so defined) based on or defined by any description that results in the same effect as described in subclause (I) or (II) for a taxpayer or tax rate group. Characteristics that may indicate such type of exclusion include the use of terminology to establish a tax rate group—

"(aa) based on payments or expenditures made under the program under this title without mentioning the term 'Medicaid' (or any similar term) to accomplish the same effect as described in subclause (I) or (II); or

"(bb) that closely approximates a taxpayer or tax rate group under the program under this title, to the same effect as described in subclause (I) or (II).''; and

(2) in paragraph (7), by adding at the end the following new subparagraphs:

"(H) The term 'Medicaid taxable unit' means a unit that is being taxed within a health care related tax that is applicable to the program under this title. Such term includes a unit that is used as the basis for—

"(i) payment under the program under this title (such as Medicaid bed days);

"(ii) Medicaid revenue;

"(iii) costs associated with the program under this title (such as Medicaid charges, claims, or expenditures); and

"(iv) other units associated with the program under this title, as determined by the Secretary.

"(I) The term 'non-Medicaid taxable unit' means a unit that is being taxed within a health care related tax that is not applicable to the program under this title. Such term includes a unit that is used as the basis for—

"(i) payment by non-Medicaid payers (such as non-Medicaid bed days);

"(ii) non-Medicaid revenue;

"(iii) costs that are not associated with the program under this title (such as non-Medicaid charges, non-Medicaid claims, or non-Medicaid expenditures); and

"(iv) other units not associated with the program under this title, as determined by the Secretary.

"(J) The term 'tax rate group' means a group of entities contained within a permissible class of a health care related tax that are taxed at the same rate.".

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect upon the date of enactment of this Act, subject to any applicable transition period determined appropriate by the Secretary of Health and Human Services, not to exceed 3 fiscal years.

SEC. 44135. REQUIRING BUDGET NEUTRALITY FOR MEDICAID DEMONSTRATION PROJECTS UNDER SECTION 1115.

Section 1115 of the Social Security Act (42 U.S.C. 1315) is amended by adding at the end the following new subsection:

"(g) REQUIREMENT OF BUDGET NEUTRALITY FOR MEDICAID DEMONSTRATION PROJECTS.—

"(1) IN GENERAL.—Beginning on the date of the enactment of this subsection, the Secretary may not approve an application for (or renewal or amendment of) an experimental, pilot, or demonstration project undertaken under subsection (a) to promote the objectives of title XIX in a State (in this subsection referred to as a 'Medicaid demonstration project') unless the Secretary certifies that such project is not expected to result in an increase in the amount of Federal expenditures compared to the amount that such expenditures would otherwise be in the absence of such project.

"(2) TREATMENT OF SAVINGS.—In the event that Federal expenditures with respect to a State under a Medicaid demonstration project are, during an approval period for such project, less than the amount of such expenditures that would have otherwise been made in the absence of such project, the Secretary shall specify the methodology to be used with respect to any subsequent approval period for such project for purposes of taking the difference between such expenditures into account.".

Subpart D—Increasing Personal Accountability

SEC. 44141. REQUIREMENT FOR STATES TO ESTABLISH MEDICAID COMMUNITY ENGAGEMENT REQUIREMENTS FOR CERTAIN INDIVIDUALS.

(a) IN GENERAL.—Section 1902 of the Social Security Act (42 U.S.C. 1396a), as amended by sections 44103 and 44104, is further amended by adding at the end the following new subsection:

"(xx) COMMUNITY ENGAGEMENT REQUIREMENT FOR APPLICABLE INDIVIDUALS.—

"(1) IN GENERAL.—Beginning January 1, 2029, subject to the succeeding provisions of this subsection, a State shall provide, as a condition of eligibility for medical assistance for an appli-

cable individual, that such individual is required to demonstrate community engagement under paragraph (2)—

"(A) in the case of an applicable individual who has filed an application for medical assistance under a State plan (or a waiver of such plan) under this title, for 1 or more (as specified by the State) consecutive months immediately preceding the month during which such individual applies for such medical assistance; and

"(B) in the case of an applicable individual enrolled and receiving medical assistance under a State plan (or under a waiver of such plan) under this title, for 1 or more (as specified by the State) months, whether or not consecutive—

"(i) during the period between such individual's most recent determination (or redetermination, as applicable) of eligibility and such individual's next regularly scheduled redetermination of eligibility (as verified by the State as part of such regularly scheduled redetermination of eligibility); or

"(ii) in the case of a State that has elected under paragraph (4) to conduct more frequent verifications of compliance with the requirement to demonstrate community engagement, during the period between the most recent and next such verification with respect to such individual.

"(2) COMMUNITY ENGAGEMENT COMPLIANCE DESCRIBED.—Subject to paragraph (3), an applicable individual demonstrates community engagement under this paragraph for a month if such individual meets 1 or more of the following conditions with respect to such month, as determined in accordance with criteria established by the Secretary through regulation:

"(A) The individual works not less than 80 hours.

"(B) The individual completes not less than 80 hours of community service.

"(C) The individual participates in a work program for not less than 80 hours.

"(D) The individual is enrolled in an educational program at least half-time.

"(E) The individual engages in any combination of the activities described in subparagraphs (A) through (D), for a total of not less than 80 hours.

"(F) The individual has a monthly income that is not less than the applicable minimum wage requirement under section 6 of the Fair Labor Standards Act of 1938, multiplied by 80 hours.

"(3) EXCEPTIONS.—

"(A) MANDATORY EXCEPTION FOR CERTAIN INDIVIDUALS.—The State shall deem an applicable individual to have demonstrated community engagement under paragraph (2) for a month if—

"(i) for part or all of such month, the individual—

"(I) was a specified excluded individual (as defined in paragraph (9)(A)(ii)); or

"(II) was—

"(aa) under the age of 19;

"(bb) pregnant or entitled to postpartum medical assistance under paragraph (5) or (16) of subsection (e);

"(cc) entitled to, or enrolled for, benefits under part A of title XVIII, or enrolled for benefits under part B of title XVIII; or

"(dd) described in any of subclauses (I) through (VII) of subsection (a)(10)(A)(i); or

"(ii) at any point during the 3-month period ending on the first day of such month, the individual was an inmate of a public institution.

"(B) OPTIONAL EXCEPTION FOR SHORT-TERM HARDSHIP EVENTS.—

"(i) IN GENERAL.—The State plan (or waiver of such plan) may provide, in the case of an applicable individual who experiences a short-term hardship event during a month, that the State shall, upon the request of such individual under procedures established by the State (in accordance with standards specified by the Secretary), deem such individual to have demonstrated community engagement under paragraph (2) for such month.

"(ii) SHORT-TERM HARDSHIP EVENT DEFINED.—For purposes of this subparagraph, an applicable individual experiences a short-term hardship event during a month if, for part or all of such month—

"(I) such individual receives inpatient hospital services, nursing facility services, services in an intermediate care facility for individuals with intellectual disabilities, inpatient psychiatric hospital services, or such other services as the Secretary determines appropriate;

"(II) such individual resides in a county (or equivalent unit of local government)—

"(aa) in which there exists an emergency or disaster declared by the President pursuant to the National Emergencies Act or the Robert T. Stafford Disaster Relief and Emergency Assistance Act; or

"(bb) that, subject to a request from the State to the Secretary, made in such form, at such time, and containing such information as the Secretary may require, has an unemployment rate that is at or above the lesser of—

"(AA) 8 percent; or

"(BB) 1.5 times the national unemployment rate; or

"(III) such individual experiences any other short-term hardship (as defined by the Secretary).

"(4) OPTION TO CONDUCT MORE FREQUENT COMPLIANCE VERIFICATIONS.—With respect to an applicable individual enrolled and receiving medical assistance under a State plan (or a waiver of such plan) under this title, the State shall verify

(in accordance with procedures specified by the Secretary) that each such individual has met the requirement to demonstrate community engagement under paragraph (1) during each such individual's regularly scheduled redetermination of eligibility, except that a State may provide for such verifications more frequently.

"(5) EX PARTE VERIFICATIONS.—For purposes of verifying that an applicable individual has met the requirement to demonstrate community engagement under paragraph (1), the State shall, in accordance with standards established by the Secretary, establish processes and use reliable information available to the State (such as payroll data) without requiring, where possible, the applicable individual to submit additional information.

"(6) PROCEDURE IN THE CASE OF NONCOMPLIANCE.—

"(A) IN GENERAL.—If a State is unable to verify that an applicable individual has met the requirement to demonstrate community engagement under paragraph (1) (including, if applicable, by verifying that such individual was deemed to have demonstrated community engagement under paragraph (3)) the State shall (in accordance with standards specified by the Secretary)—

"(i) provide such individual with the notice of noncompliance described in subparagraph (B);

"(ii) (I) provide such individual with a period of 30 calendar days, beginning on the date on which such notice of noncompliance is received by the individual, to—

"(aa) make a satisfactory showing to the State of compliance with such requirement (including, if applicable, by showing that such individual was deemed to have demonstrated community engagement under paragraph (3)); or

"(bb) make a satisfactory showing to the State that such requirement does not apply to such individual on the basis that such individual does not meet the definition of applicable individual under paragraph (9)(A); and

"(II) if such individual is enrolled under the State plan (or a waiver of such plan) under this title, continue to provide such individual with medical assistance during such 30-calendar-day period; and

"(iii) if no such satisfactory showing is made and the individual is not a specified excluded individual described in paragraph (9)(A)(ii), deny such individual's application for medical assistance under the State plan (or waiver of such plan) or, as applicable, disenroll such individual from the plan (or waiver of such plan) not later than the end of the month following the month in which such 30-calendar-day period ends, provided that—

"(I) the State first determines whether, with respect to the individual, there is any other basis for eligibility for medical assistance under the State

plan (or waiver of such plan) or for another insurance affordability program; and

"(II) the individual is provided written notice and granted an opportunity for a fair hearing in accordance with subsection (a)(3).

"(B) NOTICE.—The notice of noncompliance provided to an applicable individual under subparagraph (A)(i) shall include information (in accordance with standards specified by the Secretary) on—

"(i) how such individual may make a satisfactory showing of compliance with such requirement (as described in subparagraph (A)(ii)) or make a satisfactory showing that such requirement does not apply to such individual on the basis that such individual does not meet the definition of applicable individual under paragraph (9)(A); and

"(ii) how such individual may reapply for medical assistance under the State plan (or a waiver of such plan) under this title in the case that such individuals' application is denied or, as applicable, in the case that such individual is disenrolled from the plan (or waiver).

"(7) TREATMENT OF NONCOMPLIANT INDIVIDUALS IN RELATION TO CERTAIN OTHER PROVISIONS.—

"(A) CERTAIN FMAP INCREASES.—A State shall not be treated as not providing medical assistance to all individuals described in section 1902(a)(10)(A)(i)(VIII), or as not expending amounts for all such individuals under the State plan (or waiver of such plan), solely because such an individual is determined ineligible for medical assistance under the State plan (or waiver) on the basis of a failure to meet the requirement to demonstrate community engagement under paragraph (1).

"(B) OTHER PROVISIONS.—For purposes of section 36B(c)(2)(B) of the Internal Revenue Code of 1986, an individual shall be deemed to be eligible for minimum essential coverage described in section 5000A(f)(1)(A)(ii) of such Code for a month if such individual would have been eligible for medical assistance under a State plan (or a waiver of such plan) under this title but for a failure to meet the requirement to demonstrate community engagement under paragraph (1).

"(8) OUTREACH.—

"(A) IN GENERAL.—In accordance with standards specified by the Secretary, beginning not later than October 1, 2028 (or, if earlier, the date that precedes January 1, 2029, by the number of months specified by the State under paragraph (1)(A) plus 3 months), and periodically thereafter, the State shall notify applicable individuals enrolled under a State plan (or waiver) under this title of the requirement to demonstrate community engagement under this subsection. Such notice shall include information on—

"(i) how to comply with such requirement, including an explanation of the exceptions to such requirement

under paragraph (3) and the definition of the term 'applicable individual' under paragraph (9)(A);

"(ii) the consequences of noncompliance with such requirement; and

"(iii) how to report to the State any change in the individual's status that could result in—

"(I) the applicability of an exception under paragraph (3) (or the end of the applicability of such an exception); or

"(II) the individual qualifying as a specified excluded individual under paragraph (9)(A)(ii).

"(B) FORM OF OUTREACH NOTICE.—A notice required under subparagraph (A) shall be delivered—

"(i) by regular mail (or, if elected by the individual, in an electronic format); and

"(ii) in 1 or more additional forms, which may include telephone, text message, an internet website, other commonly available electronic means, and such other forms as the Secretary determines appropriate.

"(9) DEFINITIONS.—In this subsection:

"(A) APPLICABLE INDIVIDUAL.—

"(i) IN GENERAL.—The term 'applicable individual' means an individual (other than a specified excluded individual (as defined in clause (ii)))—

"(I) who is eligible to enroll (or is enrolled) under the State plan under subsection (a)(10)(A)(i)(VIII); or

"(II) who—

"(aa) is otherwise eligible to enroll (or is enrolled) under a waiver of such plan that provides coverage that is equivalent to minimum essential coverage (as described in section 5000A(f)(1)(A) of the Internal Revenue Code of 1986 and as determined in accordance with standards prescribed by the Secretary in regulations); and

"(bb) has attained the age of 19 and is under 65 years of age, is not pregnant, is not entitled to, or enrolled for, benefits under part A of title XVIII, or enrolled for benefits under part B of title XVIII, and is not otherwise eligible to enroll under such plan.

"(ii) SPECIFIED EXCLUDED INDIVIDUAL.—For purposes of clause (i), the term 'specified excluded individual' means an individual, as determined by the State (in accordance with standards specified by the Secretary)—

"(I) who is described in subsection (a)(10)(A)(i)(IX);

"(II) who—

"(aa) is an Indian or an Urban Indian (as such terms are defined in paragraphs (13) and (28) of section 4 of the Indian Health Care Improvement Act);

"(bb) is a California Indian described in section 809(a) of such Act; or

"(cc) has otherwise been determined eligible as an Indian for the Indian Health Service under regulations promulgated by the Secretary;

"(III) who is the parent, guardian, or caretaker relative of a disabled individual or a dependent child;

"(IV) who is a veteran with a disability rated as total under section 1155 of title 38, United States Code;

"(V) who is medically frail or otherwise has special medical needs (as defined by the Secretary), including an individual—

"(aa) who is blind or disabled (as defined in section 1614);

"(bb) with a substance use disorder;

"(cc) with a disabling mental disorder;

"(dd) with a physical, intellectual or developmental disability that significantly impairs their ability to perform 1 or more activities of daily living;

"(ee) with a serious and complex medical condition; or

"(ff) subject to the approval of the Secretary, with any other medical condition identified by the State that is not otherwise identified under this clause;

"(VI) who—

"(aa) is in compliance with any requirements imposed by the State pursuant to section 407; or

"(bb) is a member of a household that receives supplemental nutrition assistance program benefits under the Food and Nutrition Act of 2008 and is not exempt from a work requirement under such Act;

"(VII) who is participating in a drug addiction or alcoholic treatment and rehabilitation program (as defined in section 3(h) of the Food and Nutrition Act of 2008);

"(VIII) who is an inmate of a public institution; or

"(IX) who meets such other criteria as the Secretary determines appropriate.

"(B) EDUCATIONAL PROGRAM.—The term 'educational program' means—

"(i) an institution of higher education (as defined in section 101 of the Higher Education Act of 1965);

"(ii) a program of career and technical education (as defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006); or

"(iii) any other educational program that meets such criteria as the Secretary determines appropriate.

"(C) STATE.—The term 'State' means 1 of the 50 States or the District of Columbia.

"(D) WORK PROGRAM.—The term 'work program' has the meaning given such term in section 6(o)(1) of the Food and Nutrition Act of 2008.

"(10) PROHIBITING WAIVER OF COMMUNITY ENGAGEMENT REQUIREMENTS.—Notwithstanding section 1115(a), the provisions of this subsection may not be waived.".

(b) CONFORMING AMENDMENT.—Section 1902(a)(10)(A)(i)(VIII) of the Social Security Act (42 U.S.C. 1396a(a)(10)(A)(i)(VIII)) is amended by striking "subject to subsection (k)" and inserting "subject to subsections (k) and (xx)".

(c) RULEMAKING.—Not later than July 1, 2027, the Secretary of Health and Human Services shall promulgate regulations for purposes of carrying out the amendments made by this section.

(d) GRANTS TO STATES.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall, out of amounts appropriated under paragraph (3), award to each State a grant equal to the amount specified in paragraph (2) for such State for purposes of establishing systems necessary to carry out the provisions of, and amendments made by, this section.

(2) AMOUNT SPECIFIED.—For purposes of paragraph (2), the amount specified in this paragraph is an amount that bears the same ratio to the amount appropriated under paragraph (3) as the number of applicable individuals (as defined in section 1902(xx) of the Social Security Act, as added by subsection (a)) residing in such State bears to the total number of such individuals residing in all States.

(3) FUNDING.—There are appropriated, out of any monies in the Treasury not otherwise appropriated, $100,000,000 for fiscal year 2026 for purposes of awarding grants under paragraph (1).

(4) DEFINITION.—In this subsection, the term "State" means 1 of the 50 States and the District of Columbia.

(e) IMPLEMENTATION FUNDING.—For the purposes of carrying out the provisions of, and the amendments made by, this section, there are appropriated, out of any monies in the Treasury not otherwise appropriated, to the Secretary of Health and Human Services, $50,000,000 for fiscal year 2026, to remain available until expended.

SEC. 44142. MODIFYING COST SHARING REQUIREMENTS FOR CERTAIN EXPANSION INDIVIDUALS UNDER THE MEDICAID PROGRAM.

(a) IN GENERAL.—Section 1916 of the Social Security Act (42 U.S.C. 1396o) is amended—

(1) in subsection (a), in the matter preceding paragraph (1), by inserting "(other than, beginning October 1, 2028, specified individuals (as defined in subsection (k)(3)))" after "individuals"; and

(2) by adding at the end the following new subsection:

"(k) SPECIAL RULES FOR CERTAIN EXPANSION INDIVIDUALS.—

"(1) PREMIUMS.—Beginning October 1, 2028, the State plan shall provide that in the case of a specified individual (as defined in paragraph (3)) who is eligible under the plan, no enrollment fee, premium, or similar charge will be imposed under the plan.

"(2) REQUIRED IMPOSITION OF COST SHARING.—

"(A) IN GENERAL.—Subject to subparagraph (B) and subsection (j), in the case of a specified individual, the State plan shall, beginning October 1, 2028, provide for the imposition of such deductions, cost sharing, or similar charges determined appropriate by the State (in an amount greater than $0) with respect to medical assistance furnished to such an individual.

"(B) LIMITATIONS.—

"(i) EXCLUSION OF CERTAIN SERVICES.—In no case may a deduction, cost sharing, or similar charge be imposed under the State plan with respect to services described in any of subparagraphs (B) through (J) of subsection (a)(2) furnished to a specified individual.

"(ii) ITEM AND SERVICE LIMITATION.—

"(I) IN GENERAL.—Except as provided in subclause (II), in no case may a deduction, cost sharing, or similar charge imposed under the State plan with respect to an item or service furnished to a specified individual exceed $35.

"(II) SPECIAL RULES FOR PRESCRIPTION DRUGS.—In no case may a deduction, cost sharing, or similar charge imposed under the State plan with respect to a prescription drug furnished to a specified individual exceed the limit that would be applicable under paragraph (2)(A)(i) or (2)(B) of section 1916A(c) with respect to such drug and individual if such drug so furnished were subject to cost sharing under such section.

"(iii) MAXIMUM LIMIT ON COST SHARING.—The total aggregate amount of deductions, cost sharing, or similar charges imposed under the State plan for all individuals in the family may not exceed 5 percent of the family income of the family involved, as applied on a quarterly or monthly basis (as specified by the State).

"(C) CASES OF NONPAYMENT.—Notwithstanding subsection (e) or any other provision of law, a State may permit a provider participating under the State plan to require, as a condition for the provision of care, items, or services to a specified individual entitled to medical assistance under this title for such care, items, or services, the payment of any deductions, cost sharing, or similar charges authorized to be imposed with respect to such care, items, or services. Nothing in this subparagraph shall be construed as preventing a provider from reducing or waiving the application of such deductions, cost sharing, or similar charges on a case-by-case basis.

"(3) SPECIFIED INDIVIDUAL DEFINED.—For purposes of this subsection, the term 'specified individual' means an individual

enrolled under section 1902(a)(10)(A)(i)(VIII) who has a family income (as determined in accordance with section 1902(e)(14)) that exceeds the poverty line (as defined in section 2110(c)(5)) applicable to a family of the size involved.".

(b) CONFORMING AMENDMENTS.—

(1) REQUIRED APPLICATION.—Section 1902(a)(14) of the Social Security Act (42 U.S.C. 1396a(a)(14)) is amended by inserting "and provide for imposition of such deductions, cost sharing, or similar charges for medical assistance furnished to specified individuals (as defined in paragraph (3) of section 1916(k)) in accordance with paragraph (2) of such section" after "section 1916".

(2) NONAPPLICABILITY OF ALTERNATIVE COST SHARING.—Section 1916A(a)(1) of the Social Security Act (42 U.S.C. 1396o–1(a)(1)) is amended, in the second sentence, by striking "or (j)" and inserting "(j), or (k)".

PART 2—AFFORDABLE CARE ACT

SEC. 44201. ADDRESSING WASTE, FRAUD, AND ABUSE IN THE ACA EXCHANGES.

(a) CHANGES TO ENROLLMENT PERIODS FOR ENROLLING IN EXCHANGES.—Section 1311 of the Patient Protection and Affordable Care Act (42 U.S.C. 18031) is amended—

(1) in subsection (c)(6)—

(A) by striking subparagraph (A);

(B) by striking "The Secretary" and inserting the following:

"(A) IN GENERAL.—The Secretary";

(C) by redesignating subparagraphs (B) through (D) as clauses (i) through (iii), respectively, and adjusting the margins accordingly;

(D) in clause (i), as so redesignated, by striking "periods, as determined by the Secretary for calendar years after the initial enrollment period;" and inserting the following: "periods for plans offered in the individual market—

"(I) for enrollment for plan years beginning before January 1, 2026, as determined by the Secretary; and

"(II) for enrollment for plan years beginning on or after January 1, 2026, beginning on November 1 and ending on December 15 of the preceding calendar year;";

(E) in clause (ii), as so redesignated, by inserting "subject to subparagraph (B)," before "special enrollment periods specified"; and

(F) by adding at the end the following new subparagraph:

"(B) PROHIBITED SPECIAL ENROLLMENT PERIOD.—With respect to plan years beginning on or after January 1, 2026, the Secretary may not require an Exchange to provide for a special enrollment period for an individual on the basis of the relationship of the income of such individual to the poverty line, other than a special enrollment period based

on a change in circumstances or the occurrence of a specific event."; and

(2) in subsection (d), by adding at the end the following new paragraphs:

"(8) PROHIBITED ENROLLMENT PERIODS.—An Exchange may not provide for, with respect to enrollment for plan years beginning on or after January 1, 2026—

"(A) an annual open enrollment period other than the period described in subparagraph (A)(i) of subsection (c)(6); or

"(B) a special enrollment period described in subparagraph (B) of such subsection.

"(9) VERIFICATION OF ELIGIBILITY FOR SPECIAL ENROLLMENT PERIODS.—

"(A) IN GENERAL.—With respect to enrollment for plan years beginning on or after January 1, 2026, an Exchange shall verify that each individual seeking to enroll in a qualified health plan offered by the Exchange during a special enrollment period selected under subparagraph (B) is eligible to enroll during such special enrollment period prior to enrolling such individual in such plan.

"(B) SELECTED SPECIAL ENROLLMENT PERIODS.—For purposes of subparagraph (A), an Exchange shall select one or more special enrollment periods for a plan year with respect to which such Exchange shall conduct the verification required under subparagraph (A) such that the Exchange conducts such verification for not less than 75 percent of all individuals enrolling in a qualified health plan offered by the Exchange during any special enrollment period with respect to such plan year.".

(b) VERIFYING INCOME FOR INDIVIDUALS ENROLLING IN A QUALIFIED HEALTH PLAN THROUGH AN EXCHANGE.—

(1) IN GENERAL.—Section 1411(e)(4) of the Patient Protection and Affordable Care Act (42 U.S.C. 18081(e)(4)) is amended—

(A) by redesignating subparagraph (C) as subparagraph (E); and

(B) by inserting after subparagraph (B) the following new subparagraphs:

"(C) REQUIRING VERIFICATION OF INCOME AND FAMILY SIZE WHEN TAX DATA IS UNAVAILABLE.—For plan years beginning on or after January 1, 2026, for purposes of subparagraph (A), in the case that the Exchange requests data from the Secretary of the Treasury regarding an individual's household income and the Secretary of the Treasury does not return such data, such information may not be verified solely on the basis of the attestation of such individual with respect to such household income, and the Exchange shall take the actions described in subparagraph (A).

"(D) REQUIRING VERIFICATION OF INCOME IN THE CASE OF CERTAIN INCOME DISCREPANCIES.—

"(i) IN GENERAL.—Subject to clause (iii), for plan years beginning on or after January 1, 2026, for purposes of subparagraph (A), in the case that a specified

income discrepancy described in clause (ii) of this subparagraph exists with respect to the information provided by an applicant under subsection (b)(3), the household income of such individual shall be treated as inconsistent with information in the records maintained by persons under subsection (c), or as not verified under subsection (d), and the Exchange shall take the actions described in such subparagraph (A).

"(ii) SPECIFIED INCOME DISCREPANCY.—For purposes of clause (i), a specified income discrepancy exists with respect to the information provided by an applicant under subsection (b)(3) if—

"(I) the applicant attests to a projected annual household income that would qualify such applicant to be an applicable taxpayer under section 36B(c)(1)(A) of the Internal Revenue Code of 1986 with respect to the taxable year involved;

"(II) the Exchange receives data from the Secretary of the Treasury or the Commissioner of Social Security, or other reliable, third party data, that indicates that the household income of such applicant is less than the household income that would qualify such applicant to be an applicable taxpayer under such section 36B(c)(1)(A) with respect to the taxable year involved;

"(III) such attested projected annual household income exceeds the income reflected in the data described in subclause (II) by a reasonable threshold established by the Exchange and approved by the Secretary (which shall be not less than 10 percent, and may also be a dollar amount); and

"(IV) the Exchange has not assessed or determined based on the data described in subclause (II) that the household income of the applicant meets the applicable income-based eligibility standard for the Medicaid program under title XIX of the Social Security Act or the State children's health insurance program under title XXI of such Act.

"(iii) EXCLUSION OF CERTAIN INDIVIDUALS INELIGIBLE FOR MEDICAID.—This subparagraph shall not apply in the case of an applicant who is an alien lawfully present in the United States, who is not eligible for the Medicaid program under title XIX of the Social Security Act by reason of such alien status.".

(2) REQUIRING INDIVIDUALS ON WHOSE BEHALF ADVANCE PAYMENTS OF THE PREMIUM TAX CREDITS ARE MADE TO FILE AND RECONCILE ON AN ANNUAL BASIS.—Section 1412(b) of the Patient Protection and Affordable Care Act (42 U.S.C. 18082(b)) is amended by adding at the end the following new paragraph:

"(3) ANNUAL REQUIREMENT TO FILE AND RECONCILE.—

"(A) IN GENERAL.—For plan years beginning on or after January 1, 2026, in the case of an individual with respect to whom any advance payment of the premium tax credit

allowable under section 36B of the Internal Revenue Code of 1986 was made under this section to the issuer of a qualified health plan for the relevant prior tax year, an advance determination of eligibility for such premium tax credit may not be made under this subsection with respect to such individual and such plan year if the Exchange determines, based on information provided by the Secretary of the Treasury, that such individual—

"(i) has not filed an income tax return, as required under sections 6011 and 6012 of such Code (and implementing regulations), for the relevant prior tax year; or

"(ii) as necessary, has not reconciled (in accordance with subsection (f) of such section 36B) the advance payment of the premium tax credit made with respect to such individual for such relevant prior tax year.

"(B) RELEVANT PRIOR TAX YEAR.—For purposes of subparagraph (A), the term 'relevant prior tax year' means, with respect to the advance determination of eligibility made under this subsection with respect to an individual, the taxable year for which tax return data would be used for purposes of verifying the household income and family size of such individual (as described in section 1411(b)(3)(A)).

"(C) PRELIMINARY ATTESTATION.—If an individual subject to subparagraph (A) attests that such individual has fulfilled the requirements to file an income tax return for the relevant prior tax year and, as necessary, to reconcile the advance payment of the premium tax credit made with respect to such individual for such relevant prior tax year (as described in clauses (i) and (ii) of such subparagraph), the Secretary may make an initial advance determination of eligibility with respect to such individual and may delay for a reasonable period (as determined by the Secretary) any determination based on information provided by the Secretary of the Treasury that such individual has not fulfilled such requirements.

"(D) NOTICE.—If the Secretary determines that an individual did not meet the requirements described in subparagraph (A) with respect to the relevant prior tax year and notifies the Exchange of such determination, the Exchange shall comply with the notification requirement described in section 155.305(f)(4)(i) of title 45, Code of Federal Regulations (as in effect with respect to plan year 2025).".

(3) REMOVING AUTOMATIC EXTENSION OF PERIOD TO RESOLVE INCOME INCONSISTENCIES.—The Secretary of Health and Human Services shall revise section 155.315(f) of title 45, Code of Federal Regulations (or any successor regulation), to remove paragraph (7) of such section such that, with respect to enrollment for plan years beginning on or after January 1, 2026, in the case that an Exchange established under subtitle D of title I of the Patient Protection and Affordable Care Act (42 U.S.C. 18021 et seq.) provides an individual applying for enrollment

in a qualified health plan with a 90-day period to resolve an inconsistency in the application of such individual pursuant to section 1411(e)(4)(A)(ii)(II) of such Act, the Exchange may not provide for an automatic extension to such 90-day period on the basis that such individual is required to present satisfactory documentary evidence to verify household income.

(c) REVISING RULES ON ALLOWABLE VARIATION IN ACTUARIAL VALUE OF HEALTH PLANS.—The Secretary of Health and Human Services shall—

(1) revise section 156.140(c) of title 45, Code of Federal Regulations (or a successor regulation), to provide that, for plan years beginning on or after January 1, 2026, the allowable variation in the actuarial value of a health plan applicable under such section shall be the allowable variation for such plan applicable under such section for plan year 2022;

(2) revise section 156.200(b)(3) of title 45, Code of Federal Regulations (or a successor regulation), to provide that, for plan years beginning on or after January 1, 2026, the requirement for a qualified health plan issuer described in such section is that the issuer ensures that each qualified health plan complies with benefit design standards, as defined in section 156.20 of such title; and

(3) revise section 156.400 of title 45, Code of Federal Regulations (or a successor regulation), to provide that, for plan years beginning on or after January 1, 2026, the term "de minimis variation for a silver plan variation" means a minus 1 percentage point and plus 1 percentage point allowable actuarial value variation.

(d) UPDATING PREMIUM ADJUSTMENT PERCENTAGE METHODOLOGY.—Section 1302(c)(4) of the Patient Protection and Affordable Care Act (42 U.S.C. 18022(c)(4)) is amended—

(1) by striking "For purposes" and inserting:

"(A) IN GENERAL.—For purposes"; and

(2) by adding at the end the following new subparagraph:

"(B) UPDATE TO METHODOLOGY.—For calendar years beginning with 2026, the premium adjustment percentage under this paragraph for such calendar year shall be determined consistent with the methodology published in the Federal Register on April 25, 2019 (84 Fed. Reg. 17537 through 17541).".

(e) ELIMINATING THE FIXED-DOLLAR AND GROSS-PERCENTAGE THRESHOLDS APPLICABLE TO EXCHANGE ENROLLMENTS.—The Secretary of Health and Human Services shall revise section 155.400(g) of title 45, Code of Federal Regulations (or a successor regulation) to eliminate, for plan years beginning on or after January 1, 2026, the gross premium percentage-based premium payment threshold policy described in paragraph (2) of such section and the fixed-dollar premium payment threshold policy described in paragraph (3) of such section.

(f) PROHIBITING AUTOMATIC REENROLLMENT FROM BRONZE TO SILVER LEVEL QUALIFIED HEALTH PLANS OFFERED BY EXCHANGES.—The Secretary of Health and Human Services shall revise section 155.335(j) of title 45, Code of Federal Regulations (or any successor regulation) to remove paragraph (4) of such section

such that, with respect to reenrollments for plan years beginning on or after January 1, 2026, an Exchange established under subtitle D of title I of the Patient Protection and Affordable Care Act (42 U.S.C. 18021 et seq.) may not reenroll an individual who was enrolled in a bronze level qualified health plan in a silver level qualified health plan (as such terms are defined in section 1301(a) and described in 1302(d) of such Act) unless otherwise permitted under section 155.335(j) of title 45, Code of Federal Regulations, as in effect on the day before the date of the enactment of this section.

(g) REDUCING ADVANCE PAYMENTS OF PREMIUM TAX CREDITS FOR CERTAIN INDIVIDUALS REENROLLED IN EXCHANGES.—Section 1412 of the Patient Protection and Affordable Care Act (42 U.S.C. 18082) is amended—

(1) in subsection (a)(3), by inserting ", subject to subsection (c)(2)(C)," after "qualified health plans"; and

(2) in subsection (c)(2)—

(A) in subparagraph (A), by striking "The" and inserting "Subject to subparagraph (C), the"; and

(B) by adding at the end the following new subparagraph:

"(C) REDUCTION IN ADVANCE PAYMENT FOR SPECIFIED REENROLLED INDIVIDUALS.—

"(i) IN GENERAL.—The amount of an advance payment made under subparagraph (A) to reduce the premium payable for a qualified health plan that provides coverage to a specified reenrolled individual for an applicable month shall be an amount equal to the amount that would otherwise be made under such subparagraph reduced by $5 (or such higher amount as the Secretary determines appropriate).

"(ii) DEFINITIONS.—In this subparagraph:

"(I) APPLICABLE MONTH.—The term 'applicable month' means, with respect to a specified reenrolled individual, any month during a plan year beginning on or after January 1, 2027 (or, in the case of an individual reenrolled in a qualified health plan by an Exchange established pursuant to section 1321(c), January 1, 2026) if, prior to the first day of such month, such individual has failed to confirm or update such information as is necessary to redetermine the eligibility of such individual for such plan year pursuant to section 1411(f).

"(II) SPECIFIED REENROLLED INDIVIDUAL.—The term 'specified reenrolled individual' means an individual who is reenrolled in a qualified health plan and with respect to whom the advance payment made under subparagraph (A) would, without application of any reduction under this subparagraph, reduce the premium payable for a qualified health plan that provides coverage to such an individual to $0.".

(h) PROHIBITING COVERAGE OF GENDER TRANSITION PROCEDURES AS AN ESSENTIAL HEALTH BENEFIT UNDER PLANS OFFERED BY EXCHANGES.—

(1) IN GENERAL.—Section 1302(b)(2) of the Patient Protection and Affordable Care Act (42 U.S.C. 18022(b)(2)) is amended by adding at the end the following new subparagraph:

"(C) GENDER TRANSITION PROCEDURES.—For plan years beginning on or after January 1, 2027, the essential health benefits defined pursuant to paragraph (1) may not include items and services furnished for a gender transition procedure.".

(2) GENDER TRANSITION PROCEDURE DEFINED.—Section 1304 of the Patient Protection and Affordable Care Act (42 U.S.C. 18024) is amended by adding at the end the following new subsection:

"(f) GENDER TRANSITION PROCEDURE.—

"(1) IN GENERAL.—In this title, except as provided in paragraph (2), the term 'gender transition procedure' means, with respect to an individual, any of the following when performed for the purpose of intentionally changing the body of such individual (including by disrupting the body's development, inhibiting its natural functions, or modifying its appearance) to no longer correspond to the individual's sex:

"(A) Performing any surgery, including—

"(i) castration;
"(ii) sterilization;
"(iii) orchiectomy;
"(iv) scrotoplasty;
"(v) vasectomy;
"(vi) tubal ligation;
"(vii) hysterectomy;
"(viii) oophorectomy;
"(ix) ovariectomy;
"(x) metoidioplasty;
"(xi) clitoroplasty;
"(xii) reconstruction of the fixed part of the urethra with or without a metoidioplasty or a phalloplasty;
"(xiii) penectomy;
"(xiv) phalloplasty;
"(xv) vaginoplasty;
"(xvi) vaginectomy;
"(xvii) vulvoplasty;
"(xviii) reduction thyrochondroplasty;
"(xix) chondrolaryngoplasty;
"(xx) mastectomy; and
"(xxi) any plastic, cosmetic, or aesthetic surgery that feminizes or masculinizes the facial or other body features of an individual.

"(B) Any placement of chest implants to create feminine breasts or any placement of erection or testicular prosetheses.

"(C) Any placement of fat or artificial implants in the gluteal region.

"(D) Administering, prescribing, or dispensing to an individual medications, including—

"(i) gonadotropin-releasing hormone (GnRH) analogues or other puberty-blocking drugs to stop or delay normal puberty; and

"(ii) testosterone, estrogen, or other androgens to an individual at doses that are supraphysiologic than would normally be produced endogenously in a healthy individual of the same age and sex.

"(2) EXCEPTION.—Paragraph (1) shall not apply to the following:

"(A) Puberty suppression or blocking prescription drugs for the purpose of normalizing puberty for an individual experiencing precocious puberty.

"(B) Medically necessary procedures or treatments to correct for—

"(i) a medically verifiable disorder of sex development, including—

"(I) 46,XX chromosomes with virilization;

"(II) 46,XY chromosomes with undervirilization; and

"(III) both ovarian and testicular tissue;

"(ii) sex chromosome structure, sex steroid hormone production, or sex hormone action, if determined to be abnormal by a physician through genetic or biochemical testing;

"(iii) infection, disease, injury, or disorder caused or exacerbated by a previous procedure described in paragraph (1), or a physical disorder, physical injury, or physical illness that would, as certified by a physician, place the individual in imminent danger of death or impairment of a major bodily function unless the procedure is performed, not including procedures performed for the alleviation of mental distress; or

"(iv) procedures to restore or reconstruct the body of the individual in order to correspond to the individual's sex after one or more previous procedures described in paragraph (1), which may include the removal of a pseudo phallus or breast augmentation.

"(3) SEX.—For purposes of this subsection, the term 'sex' means either male or female, as biologically determined and defined by subparagraph (A) and subparagraph (B).

"(A) FEMALE.—The term 'female' means an individual who naturally has, had, will have, or would have, but for a developmental or genetic anomaly or historical accident, the reproductive system that at some point produces, transports, and utilizes eggs for fertilization.

"(B) MALE.—The term 'male' means an individual who naturally has, had, will have, or would have, but for a developmental or genetic anomaly or historical accident, the reproductive system that at some point produces, transports, and utilizes sperm for fertilization.".

(i) CLARIFYING LAWFUL PRESENCE FOR PURPOSES OF THE EXCHANGES.—

(1) IN GENERAL.—Section 1312(f) of the Patient Protection and Affordable Care Act (42 U.S.C. 18032(f)) is amended by adding at the end the following new paragraph:

"(4) CLARIFICATION OF LAWFUL PRESENCE.—In this title, the term 'alien lawfully present in the United States' does not include an alien granted deferred action under the Deferred Action for Childhood Arrivals process pursuant to the memorandum of the Department of Homeland Security entitled 'Exercising Prosecutorial Discretion with Respect to Individuals Who Came to the United States as Children' issued on June 15, 2012.".

(2) COST-SHARING REDUCTIONS.—Section 1402(e)(2) of the Patient Protection and Affordable Care Act (42 U.S.C. 18071(e)(2)) is amended by adding at the end the following new sentence: "For purposes of this section, an individual shall not be treated as lawfully present if the individual is an alien granted deferred action under the Deferred Action for Childhood Arrivals process pursuant to the memorandum of the Department of Homeland Security entitled 'Exercising Prosecutorial Discretion with Respect to Individuals Who Came to the United States as Children' issued on June 15, 2012.".

(3) PAYMENT PROHIBITION.—Section 1412(d) of the Patient Protection and Affordable Care Act (42 U.S.C. 18082(d)) is amended by adding at the end the following new sentence: "For purposes of the previous sentence, an individual shall not be treated as lawfully present if the individual is an alien granted deferred action under the Deferred Action for Childhood Arrivals process pursuant to the memorandum of the Department of Homeland Security entitled 'Exercising Prosecutorial Discretion with Respect to Individuals Who Came to the United States as Children' issued on June 15, 2012.".

(4) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to plan years beginning on or after January 1, 2026.

(j) ENSURING APPROPRIATE APPLICATION OF GUARANTEED ISSUE REQUIREMENTS IN CASE OF NONPAYMENT OF PAST PREMIUMS.—

(1) IN GENERAL.—Section 2702 of the Public Health Service Act (42 U.S.C. 300gg–1) is amended by adding at the end the following new subsection:

"(e) NONPAYMENT OF PAST PREMIUMS.—

"(1) IN GENERAL.—A health insurance issuer offering individual health insurance coverage may, to the extent allowed under State law, deny such coverage in the case of an individual who owes any amount for premiums for individual health insurance coverage offered by such issuer (or by a health insurance issuer in the same controlled group (as defined in paragraph (3)) as such issuer) in which such individual was previously enrolled.

"(2) ATTRIBUTION OF INITIAL PREMIUM PAYMENT TO OWED AMOUNT.—A health insurance issuer offering individual health insurance coverage may, in the case of an individual described in paragraph (1) and to the extent allowed under State law, attribute the initial premium payment for such coverage applicable to such individual to the amount owed by such individual

for premiums for individual health insurance coverage offered by such issuer (or by a health insurance issuer in the same controlled group as such issuer) in which such individual was previously enrolled.

"(3) CONTROLLED GROUP DEFINED.—For purposes of this subsection, the term 'controlled group' means a group of of two or more persons that is treated as a single employer under section 52(a), 52(b), 414(m), or 414(o) of the Internal Revenue Code of 1986.".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to plan years beginning on or after January 1, 2026.

PART 3—IMPROVING AMERICANS' ACCESS TO CARE

SEC. 44301. EXPANDING AND CLARIFYING THE EXCLUSION FOR ORPHAN DRUGS UNDER THE DRUG PRICE NEGOTIATION PROGRAM.

(a) IN GENERAL.—Section 1192(e) of the Social Security Act (42 U.S.C. 1320f–1(e)) is amended—

(1) in paragraph (1), by adding at the end the following new subparagraph:

"(C) TREATMENT OF FORMER ORPHAN DRUGS.—In calculating the amount of time that has elapsed with respect to the approval of a drug or licensure of a biological product under subparagraph (A)(ii) and subparagraph (B)(ii), respectively, the Secretary shall not take into account any period during which such drug or product was a drug described in paragraph (3)(A).."; and

(2) in paragraph (3)(A)—

(A) by striking "only one rare disease or condition" and inserting "one or more rare diseases or conditions"; and

(B) by striking "such disease or condition" and inserting "one or more rare diseases or conditions (as such term is defined in section 526(a)(2) of the Federal Food, Drug, and Cosmetic Act)".

(b) APPLICATION.—The amendments made by subsection (a) shall apply with respect to initial price applicability years (as defined in section 1191(b) of the Social Security Act (42 U.S.C. 1320f(b))) beginning on or after January 1, 2028.

SEC. 44302. STREAMLINED ENROLLMENT PROCESS FOR ELIGIBLE OUT-OF-STATE PROVIDERS UNDER MEDICAID AND CHIP.

(a) IN GENERAL.—Section 1902(kk) of the Social Security Act (42 U.S.C. 1396a(kk)) is amended by adding at the end the following new paragraph:

"(10) STREAMLINED ENROLLMENT PROCESS FOR ELIGIBLE OUT-OF-STATE PROVIDERS.—

"(A) IN GENERAL.—The State—

"(i) adopts and implements a process to allow an eligible out-of-State provider to enroll under the State plan (or a waiver of such plan) to furnish items and services to, or order, prescribe, refer, or certify eligibility for items and services for, qualifying individuals

without the imposition of screening or enrollment requirements by such State that exceed the minimum necessary for such State to provide payment to an eligible out-of-State provider under such State plan (or a waiver of such plan), such as the provider's name and National Provider Identifier (and such other information specified by the Secretary); and

"(ii) provides that an eligible out-of-State provider that enrolls as a participating provider in the State plan (or a waiver of such plan) through such process shall be so enrolled for a 5-year period, unless the provider is terminated or excluded from participation during such period.

"(B) DEFINITIONS.—In this paragraph:

"(i) ELIGIBLE OUT-OF-STATE PROVIDER.—The term 'eligible out-of-State provider' means, with respect to a State, a provider—

"(I) that is located in any other State;

"(II) that—

"(aa) was determined by the Secretary to have a limited risk of fraud, waste, and abuse for purposes of determining the level of screening to be conducted under section 1866(j)(2), has been so screened under such section 1866(j)(2), and is enrolled in the Medicare program under title XVIII; or

"(bb) was determined by the State agency administering or supervising the administration of the State plan (or a waiver of such plan) of such other State to have a limited risk of fraud, waste, and abuse for purposes of determining the level of screening to be conducted under paragraph (1) of this subsection, has been so screened under such paragraph (1), and is enrolled under such State plan (or a waiver of such plan); and

"(III) that has not been—

"(aa) excluded from participation in any Federal health care program pursuant to section 1128 or 1128A;

"(bb) excluded from participation in the State plan (or a waiver of such plan) pursuant to part 1002 of title 42, Code of Federal Regulations (or any successor regulation), or State law; or

"(cc) terminated from participating in a Federal health care program or the State plan (or a waiver of such plan) for a reason described in paragraph (8)(A).

"(ii) QUALIFYING INDIVIDUAL.—The term 'qualifying individual' means an individual under 21 years of age who is enrolled under the State plan (or waiver of such plan).

"(iii) STATE.—The term 'State' means 1 of the 50 States or the District of Columbia.".

(b) CONFORMING AMENDMENTS.—

(1) Section 1902(a)(77) of the Social Security Act (42 U.S.C. 1396a(a)(77)) is amended by inserting "enrollment," after "screening,".

(2) The subsection heading for section 1902(kk) of such Act (42 U.S.C. 1396a(kk)) is amended by inserting "ENROLLMENT," after "SCREENING,".

(3) Section 2107(e)(1)(G) of such Act (42 U.S.C. 1397gg(e)(1)(G)) is amended by inserting "enrollment," after "screening,".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply beginning on the date that is 4 years after the date of enactment of this Act.

SEC. 44303. DELAYING DSH REDUCTIONS.

(a) IN GENERAL.—Section 1923(f) of the Social Security Act (42 U.S.C. 1396r–4(f)) is amended—

(1) in paragraph (7)(A)—

(A) in clause (i)—

(i) in the matter preceding subclause (I), by striking "2026 through 2028" and inserting "2029 through 2031"; and

(ii) in subclause (II), by striking "or period"; and

(B) in clause (ii), by striking "2026 through 2028" and inserting "2029 through 2031"; and

(2) in paragraph (8), by striking "2027" and inserting "2031".

(b) TENNESSEE DSH ALLOTMENT.—Section 1923(f)(6)(A)(vi) of the Social Security Act (42 U.S.C. 1396r–4(f)(6)(A)(vi)) is amended—

(1) in the header, by striking "2025" and inserting "2028"; and

(2) by striking "fiscal year 2025" and inserting "fiscal year 2028".

SEC. 44304. MODIFYING UPDATE TO THE CONVERSION FACTOR UNDER THE PHYSICIAN FEE SCHEDULE UNDER THE MEDICARE PROGRAM.

Section 1848(d) of the Social Security Act (42 U.S.C. 1395w–4(d)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A)—

(i) in the first sentence, by striking "and ending with 2025"; and

(ii) by striking the second sentence; and

(B) in subparagraph (D), by striking "(or, beginning with 2026, applicable conversion factor)"; and

(2) by amending paragraph (20) to read as follows:

"(20) UPDATE FOR 2026 AND SUBSEQUENT YEARS.—The update to the single conversion factor established in paragraph (1)(A)—

"(A) for 2026 is 75 percent of the Secretary's estimate of the percentage increase in the MEI (as defined in section 1842(i)(3)) for the year; and

"(B) for 2027 and each subsequent year is 10 percent of the Secretary's estimate of the percentage increase in the MEI for the year.".

SEC. 44305. MODERNIZING AND ENSURING PBM ACCOUNTABILITY.

(a) IN GENERAL.—

(1) PRESCRIPTION DRUG PLANS.—Section 1860D–12 of the Social Security Act (42 U.S.C. 1395w–112) is amended by adding at the end the following new subsection:

"(h) REQUIREMENTS RELATING TO PHARMACY BENEFIT MANAGERS.—For plan years beginning on or after January 1, 2028:

"(1) AGREEMENTS WITH PHARMACY BENEFIT MANAGERS.—Each contract entered into with a PDP sponsor under this part with respect to a prescription drug plan offered by such sponsor shall provide that any pharmacy benefit manager acting on behalf of such sponsor has a written agreement with the PDP sponsor under which the pharmacy benefit manager, and any affiliates of such pharmacy benefit manager, as applicable, agree to meet the following requirements:

"(A) NO INCOME OTHER THAN BONA FIDE SERVICE FEES.—

"(i) IN GENERAL.—The pharmacy benefit manager and any affiliate of such pharmacy benefit manager shall not derive any remuneration with respect to any services provided on behalf of any entity or individual, in connection with the utilization of covered part D drugs, from any such entity or individual other than bona fide service fees, subject to clauses (ii) and (iii).

"(ii) INCENTIVE PAYMENTS.—For the purposes of this subsection, an incentive payment (as determined by the Secretary) paid by a PDP sponsor to a pharmacy benefit manager (or an affiliate of such pharmacy benefit manager) that is performing services on behalf of such sponsor shall be deemed a 'bona fide service fee' (even if such payment does not otherwise meet the definition of such term under paragraph (7)(B)) if such payment is a flat dollar amount, is consistent with fair market value (as specified by the Secretary), is related to services actually performed by the pharmacy benefit manager or affiliate of such pharmacy benefit manager, on behalf of the PDP sponsor making such payment, in connection with the utilization of covered part D drugs, and meets additional requirements, if any, as determined appropriate by the Secretary.

"(iii) CLARIFICATION ON REBATES AND DISCOUNTS USED TO LOWER COSTS FOR COVERED PART D DRUGS.—Rebates, discounts, and other price concessions received by a pharmacy benefit manager or an affiliate of a pharmacy benefit manager from manufacturers, even if such price concessions are calculated as a percentage of a drug's price, shall not be considered a violation of the requirements of clause (i) if they are fully passed through to a PDP sponsor and are compliant with all regulatory and subregulatory requirements related to direct and indirect remuneration for manufacturer rebates under this part, including in cases where a PDP sponsor is acting as a pharmacy benefit manager on behalf of a prescription drug plan offered by such PDP sponsor.

"(iv) EVALUATION OF REMUNERATION ARRANGEMENTS.—Components of subsets of remuneration arrangements (such as fees or other forms of compensation paid to or retained by the pharmacy benefit manager or affiliate of such pharmacy benefit manager), as determined appropriate by the Secretary, between pharmacy benefit managers or affiliates of such pharmacy benefit managers, as applicable, and other entities involved in the dispensing or utilization of covered part D drugs (including PDP sponsors, manufacturers, pharmacies, and other entities as determined appropriate by the Secretary) shall be subject to review by the Secretary, in consultation with the Office of the Inspector General of the Department of Health and Human Services, as determined appropriate by the Secretary. The Secretary, in consultation with the Office of the Inspector General, shall review whether remuneration under such arrangements is consistent with fair market value (as specified by the Secretary) through reviews and assessments of such remuneration, as determined appropriate.

"(v) DISGORGEMENT.—The pharmacy benefit manager shall disgorge any remuneration paid to such pharmacy benefit manager or an affiliate of such pharmacy benefit manager in violation of this subparagraph to the PDP sponsor.

"(vi) ADDITIONAL REQUIREMENTS.—The pharmacy benefit manager shall—

"(I) enter into a written agreement with any affiliate of such pharmacy benefit manager, under which the affiliate shall identify and disgorge any remuneration described in clause (v) to the pharmacy benefit manager; and

"(II) attest, subject to any requirements determined appropriate by the Secretary, that the pharmacy benefit manager has entered into a written agreement described in subclause (I) with any relevant affiliate of the pharmacy benefit manager.

"(B) TRANSPARENCY REGARDING GUARANTEES AND COST PERFORMANCE EVALUATIONS.—The pharmacy benefit manager shall—

"(i) define, interpret, and apply, in a fully transparent and consistent manner for purposes of calculating or otherwise evaluating pharmacy benefit manager performance against pricing guarantees or similar cost performance measurements related to rebates, discounts, price concessions, or net costs, terms such as—

"(I) 'generic drug', in a manner consistent with the definition of the term under section 423.4 of title 42, Code of Federal Regulations, or a successor regulation;

"(II) 'brand name drug', in a manner consistent with the definition of the term under section 423.4 of title 42, Code of Federal Regulations, or a successor regulation;

"(III) 'specialty drug';

"(IV) 'rebate'; and

"(V) 'discount';

"(ii) identify any drugs, claims, or price concessions excluded from any pricing guarantee or other cost performance measure in a clear and consistent manner; and

"(iii) where a pricing guarantee or other cost performance measure is based on a pricing benchmark other than the wholesale acquisition cost (as defined in section 1847A(c)(6)(B)) of a drug, calculate and provide a wholesale acquisition cost-based equivalent to the pricing guarantee or other cost performance measure.

"(C) PROVISION OF INFORMATION.—

"(i) IN GENERAL.—Not later than July 1 of each year, beginning in 2028, the pharmacy benefit manager shall submit to the PDP sponsor, and to the Secretary, a report, in accordance with this subparagraph, and shall make such report available to such sponsor at no cost to such sponsor in a format specified by the Secretary under paragraph (5). Each such report shall include, with respect to such PDP sponsor and each plan offered by such sponsor, the following information with respect to the previous plan year:

"(I) A list of all drugs covered by the plan that were dispensed including, with respect to each such drug—

"(aa) the brand name, generic or non-proprietary name, and National Drug Code;

"(bb) the number of plan enrollees for whom the drug was dispensed, the total number of prescription claims for the drug (including original prescriptions and refills, counted as separate claims), and the total number of dosage units of the drug dispensed;

"(cc) the number of prescription claims described in item (bb) by each type of dispensing channel through which the drug was dispensed, including retail, mail order, specialty pharmacy, long term care pharmacy, home infusion pharmacy, or other types of pharmacies or providers;

"(dd) the average wholesale acquisition cost, listed as cost per day's supply, cost per dosage unit, and cost per typical course of treatment (as applicable);

"(ee) the average wholesale price for the drug, listed as price per day's supply, price

per dosage unit, and price per typical course of treatment (as applicable);

"(ff) the total out-of-pocket spending by plan enrollees on such drug after application of any benefits under the plan, including plan enrollee spending through copayments, coinsurance, and deductibles;

"(gg) total rebates paid by the manufacturer on the drug as reported under the Detailed DIR Report (or any successor report) submitted by such sponsor to the Centers for Medicare & Medicaid Services;

"(hh) all other direct or indirect remuneration on the drug as reported under the Detailed DIR Report (or any successor report) submitted by such sponsor to the Centers for Medicare & Medicaid Services;

"(ii) the average pharmacy reimbursement amount paid by the plan for the drug in the aggregate and disaggregated by dispensing channel identified in item (cc);

"(jj) the average National Average Drug Acquisition Cost (NADAC); and

"(kk) total manufacturer-derived revenue, inclusive of bona fide service fees, attributable to the drug and retained by the pharmacy benefit manager and any affiliate of such pharmacy benefit manager.

"(II) In the case of a pharmacy benefit manager that has an affiliate that is a retail, mail order, or specialty pharmacy, with respect to drugs covered by such plan that were dispensed, the following information:

"(aa) The percentage of total prescriptions that were dispensed by pharmacies that are an affiliate of the pharmacy benefit manager for each drug.

"(bb) The interquartile range of the total combined costs paid by the plan and plan enrollees, per dosage unit, per course of treatment, per 30-day supply, and per 90-day supply for each drug dispensed by pharmacies that are not an affiliate of the pharmacy benefit manager and that are included in the pharmacy network of such plan.

"(cc) The interquartile range of the total combined costs paid by the plan and plan enrollees, per dosage unit, per course of treatment, per 30-day supply, and per 90-day supply for each drug dispensed by pharmacies that are an affiliate of the pharmacy benefit manager and that are included in the pharmacy network of such plan.

"(dd) The lowest total combined cost paid by the plan and plan enrollees, per dosage unit, per course of treatment, per 30-day supply, and per 90-day supply, for each drug that is available from any pharmacy included in the pharmacy network of such plan.

"(ee) The difference between the average acquisition cost of the affiliate, such as a pharmacy or other entity that acquires prescription drugs, that initially acquires the drug and the amount reported under subclause (I)(jj) for each drug.

"(ff) A list inclusive of the brand name, generic or non-proprietary name, and National Drug Code of covered part D drugs subject to an agreement with a covered entity under section 340B of the Public Health Service Act for which the pharmacy benefit manager or an affiliate of the pharmacy benefit manager had a contract or other arrangement with such a covered entity in the service area of such plan.

"(III) Where a drug approved under section 505(c) of the Federal Food, Drug, and Cosmetic Act (referred to in this subclause as the 'listed drug') is covered by the plan, the following information:

"(aa) A list of currently marketed generic drugs approved under section 505(j) of the Federal Food, Drug, and Cosmetic Act pursuant to an application that references such listed drug that are not covered by the plan, are covered on the same formulary tier or a formulary tier typically associated with higher cost-sharing than the listed drug, or are subject to utilization management that the listed drug is not subject to.

"(bb) The estimated average beneficiary cost-sharing under the plan for a 30-day supply of the listed drug.

"(cc) Where a generic drug listed under item (aa) is on a formulary tier typically associated with higher cost-sharing than the listed drug, the estimated average cost-sharing that a beneficiary would have paid for a 30-day supply of each of the generic drugs described in item (aa), had the plan provided coverage for such drugs on the same formulary tier as the listed drug.

"(dd) A written justification for providing more favorable coverage of the listed drug than the generic drugs described in item (aa).

"(ee) The number of currently marketed generic drugs approved under section 505(j) of

the Federal Food, Drug, and Cosmetic Act pursuant to an application that references such listed drug.

"(IV) Where a reference product (as defined in section 351(i) of the Public Health Service Act) is covered by the plan, the following information:

"(aa) A list of currently marketed biosimilar biological products licensed under section 351(k) of the Public Health Service Act pursuant to an application that refers to such reference product that are not covered by the plan, are covered on the same formulary tier or a formulary tier typically associated with higher cost-sharing than the reference product, or are subject to utilization management that the reference product is not subject to.

"(bb) The estimated average beneficiary cost-sharing under the plan for a 30-day supply of the reference product.

"(cc) Where a biosimilar biological product listed under item (aa) is on a formulary tier typically associated with higher cost-sharing than the reference product, the estimated average cost-sharing that a beneficiary would have paid for a 30-day supply of each of the biosimilar biological products described in item (aa), had the plan provided coverage for such products on the same formulary tier as the reference product.

"(dd) A written justification for providing more favorable coverage of the reference product than the biosimilar biological product described in item (aa).

"(ee) The number of currently marketed biosimilar biological products licensed under section 351(k) of the Public Health Service Act, pursuant to an application that refers to such reference product.

"(V) Total gross spending on covered part D drugs by the plan, not net of rebates, fees, discounts, or other direct or indirect remuneration.

"(VI) The total amount retained by the pharmacy benefit manager or an affiliate of such pharmacy benefit manager in revenue related to utilization of covered part D drugs under that plan, inclusive of bona fide service fees.

"(VII) The total spending on covered part D drugs net of rebates, fees, discounts, or other direct and indirect remuneration by the plan.

"(VIII) An explanation of any benefit design parameters under such plan that encourage plan enrollees to fill prescriptions at pharmacies that are an affiliate of such pharmacy benefit manager,

such as mail and specialty home delivery programs, and retail and mail auto-refill programs.

"(IX) The following information:

"(aa) A list of all brokers, consultants, advisors, and auditors that receive compensation from the pharmacy benefit manager or an affiliate of such pharmacy benefit manager for referrals, consulting, auditing, or other services offered to PDP sponsors related to pharmacy benefit management services.

"(bb) The amount of compensation provided by such pharmacy benefit manager or affiliate to each such broker, consultant, advisor, and auditor.

"(cc) The methodology for calculating the amount of compensation provided by such pharmacy benefit manager or affiliate, for each such broker, consultant, advisor, and auditor.

"(X) A list of all affiliates of the pharmacy benefit manager.

"(XI) A summary document submitted in a standardized template developed by the Secretary that includes such information described in subclauses (I) through (X).

"(ii) WRITTEN EXPLANATION OF CONTRACTS OR AGREEMENTS WITH DRUG MANUFACTURERS.—

"(I) IN GENERAL.—The pharmacy benefit manager shall, not later than 30 days after the finalization of any contract or agreement between such pharmacy benefit manager or an affiliate of such pharmacy benefit manager and a drug manufacturer (or subsidiary, agent, or entity affiliated with such drug manufacturer) that makes rebates, discounts, payments, or other financial incentives related to one or more covered part D drugs or other prescription drugs, as applicable, of the manufacturer directly or indirectly contingent upon coverage, formulary placement, or utilization management conditions on any other covered part D drugs or other prescription drugs, as applicable, submit to the PDP sponsor a written explanation of such contract or agreement.

"(II) REQUIREMENTS.—A written explanation under subclause (I) shall—

"(aa) include the manufacturer subject to the contract or agreement, all covered part D drugs and other prescription drugs, as applicable, subject to the contract or agreement and the manufacturers of such drugs, and a high-level description of the terms of such contract or agreement and how such terms apply to such drugs; and

"(bb) be certified by the Chief Executive Officer, Chief Financial Officer, or General Counsel of such pharmacy benefit manager, or affiliate of such pharmacy benefit manager, as applicable, or an individual delegated with the authority to sign on behalf of one of these officers, who reports directly to the officer.

"(III) DEFINITION OF OTHER PRESCRIPTION DRUGS.—For purposes of this clause, the term 'other prescription drugs' means prescription drugs covered as supplemental benefits under this part or prescription drugs paid outside of this part.

"(D) AUDIT RIGHTS.—

"(i) IN GENERAL.—Not less than once a year, at the request of the PDP sponsor, the pharmacy benefit manager shall allow for an audit of the pharmacy benefit manager to ensure compliance with all terms and conditions under the written agreement described in this paragraph and the accuracy of information reported under subparagraph (C).

"(ii) AUDITOR.—The PDP sponsor shall have the right to select an auditor. The pharmacy benefit manager shall not impose any limitations on the selection of such auditor.

"(iii) PROVISION OF INFORMATION.—The pharmacy benefit manager shall make available to such auditor all records, data, contracts, and other information necessary to confirm the accuracy of information provided under subparagraph (C), subject to reasonable restrictions on how such information must be reported to prevent redisclosure of such information.

"(iv) TIMING.—The pharmacy benefit manager must provide information under clause (iii) and other information, data, and records relevant to the audit to such auditor within 6 months of the initiation of the audit and respond to requests for additional information from such auditor within 30 days after the request for additional information.

"(v) INFORMATION FROM AFFILIATES.—The pharmacy benefit manager shall be responsible for providing to such auditor information required to be reported under subparagraph (C) or under clause (iii) of this subparagraph that is owned or held by an affiliate of such pharmacy benefit manager.

"(2) ENFORCEMENT.—

"(A) IN GENERAL.—Each PDP sponsor shall—

"(i) disgorge to the Secretary any amounts disgorged to the PDP sponsor by a pharmacy benefit manager under paragraph (1)(A)(v);

"(ii) require, in a written agreement with any pharmacy benefit manager acting on behalf of such sponsor or affiliate of such pharmacy benefit manager, that such pharmacy benefit manager or affiliate reimburse

the PDP sponsor for any civil money penalty imposed on the PDP sponsor as a result of the failure of the pharmacy benefit manager or affiliate to meet the requirements of paragraph (1) that are applicable to the pharmacy benefit manager or affiliate under the agreement; and

"(iii) require, in a written agreement with any such pharmacy benefit manager acting on behalf of such sponsor or affiliate of such pharmacy benefit manager, that such pharmacy benefit manager or affiliate be subject to punitive remedies for breach of contract for failure to comply with the requirements applicable under paragraph (1).

"(B) REPORTING OF ALLEGED VIOLATIONS.—The Secretary shall make available and maintain a mechanism for manufacturers, PDP sponsors, pharmacies, and other entities that have contractual relationships with pharmacy benefit managers or affiliates of such pharmacy benefit managers to report, on a confidential basis, alleged violations of paragraph (1)(A) or subparagraph (C).

"(C) ANTI-RETALIATION AND ANTI-COERCION.—Consistent with applicable Federal or State law, a PDP sponsor shall not—

"(i) retaliate against an individual or entity for reporting an alleged violation under subparagraph (B); or

"(ii) coerce, intimidate, threaten, or interfere with the ability of an individual or entity to report any such alleged violations.

"(3) CERTIFICATION OF COMPLIANCE.—

"(A) IN GENERAL.—Each PDP sponsor shall furnish to the Secretary (at a time and in a manner specified by the Secretary) an annual certification of compliance with this subsection, as well as such information as the Secretary determines necessary to carry out this subsection.

"(B) IMPLEMENTATION.—Notwithstanding any other provision of law, the Secretary may implement this paragraph by program instruction or otherwise.

"(4) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed as—

"(A) prohibiting flat dispensing fees or reimbursement or payment for ingredient costs (including customary, industry-standard discounts directly related to drug acquisition that are retained by pharmacies or wholesalers) to entities that acquire or dispense prescription drugs; or

"(B) modifying regulatory requirements or sub-regulatory program instruction or guidance related to pharmacy payment, reimbursement, or dispensing fees.

"(5) STANDARD FORMATS.—

"(A) IN GENERAL.—Not later than June 1, 2027, the Secretary shall specify standard, machine-readable formats for pharmacy benefit managers to submit annual reports required under paragraph (1)(C)(i).

"(B) IMPLEMENTATION.—Notwithstanding any other provision of law, the Secretary may implement this paragraph by program instruction or otherwise.

"(6) CONFIDENTIALITY.—

"(A) IN GENERAL.—Information disclosed by a pharmacy benefit manager, an affiliate of a pharmacy benefit manager, a PDP sponsor, or a pharmacy under this subsection that is not otherwise publicly available or available for purchase shall not be disclosed by the Secretary or a PDP sponsor receiving the information, except that the Secretary may disclose the information for the following purposes:

"(i) As the Secretary determines necessary to carry out this part.

"(ii) To permit the Comptroller General to review the information provided.

"(iii) To permit the Director of the Congressional Budget Office to review the information provided.

"(iv) To permit the Executive Director of the Medicare Payment Advisory Commission to review the information provided.

"(v) To the Attorney General for the purposes of conducting oversight and enforcement under this title.

"(vi) To the Inspector General of the Department of Health and Human Services in accordance with its authorities under the Inspector General Act of 1978 (section 406 of title 5, United States Code), and other applicable statutes.

"(B) RESTRICTION ON USE OF INFORMATION.—The Secretary, the Comptroller General, the Director of the Congressional Budget Office, and the Executive Director of the Medicare Payment Advisory Commission shall not report on or disclose information disclosed pursuant to subparagraph (A) to the public in a manner that would identify—

"(i) a specific pharmacy benefit manager, affiliate, pharmacy, manufacturer, wholesaler, PDP sponsor, or plan; or

"(ii) contract prices, rebates, discounts, or other remuneration for specific drugs in a manner that may allow the identification of specific contracting parties or of such specific drugs.

"(7) DEFINITIONS.—For purposes of this subsection:

"(A) AFFILIATE.—The term 'affiliate' means, with respect to any pharmacy benefit manager or PDP sponsor, any entity that, directly or indirectly—

"(i) owns or is owned by, controls or is controlled by, or is otherwise related in any ownership structure to such pharmacy benefit manager or PDP sponsor; or

"(ii) acts as a contractor, principal, or agent to such pharmacy benefit manager or PDP sponsor, insofar as such contractor, principal, or agent performs any of the functions described under subparagraph (C).

"(B) BONA FIDE SERVICE FEE.—The term 'bona fide service fee' means a fee that is reflective of the fair market

value (as specified by the Secretary, through notice and comment rulemaking) for a bona fide, itemized service actually performed on behalf of an entity, that the entity would otherwise perform (or contract for) in the absence of the service arrangement and that is not passed on in whole or in part to a client or customer, whether or not the entity takes title to the drug. Such fee must be a flat dollar amount and shall not be directly or indirectly based on, or contingent upon—

"(i) drug price, such as wholesale acquisition cost or drug benchmark price (such as average wholesale price);

"(ii) the amount of discounts, rebates, fees, or other direct or indirect remuneration with respect to covered part D drugs dispensed to enrollees in a prescription drug plan, except as permitted pursuant to paragraph (1)(A)(ii);

"(iii) coverage or formulary placement decisions or the volume or value of any referrals or business generated between the parties to the arrangement; or

"(iv) any other amounts or methodologies prohibited by the Secretary.

"(C) PHARMACY BENEFIT MANAGER.—The term 'pharmacy benefit manager' means any person or entity that, either directly or through an intermediary, acts as a price negotiator or group purchaser on behalf of a PDP sponsor or prescription drug plan, or manages the prescription drug benefits provided by such sponsor or plan, including the processing and payment of claims for prescription drugs, the performance of drug utilization review, the processing of drug prior authorization requests, the adjudication of appeals or grievances related to the prescription drug benefit, contracting with network pharmacies, controlling the cost of covered part D drugs, or the provision of related services. Such term includes any person or entity that carries out one or more of the activities described in the preceding sentence, irrespective of whether such person or entity calls itself a 'pharmacy benefit manager'.".

(2) MA–PD PLANS.—Section 1857(f)(3) of the Social Security Act (42 U.S.C. 1395w–27(f)(3)) is amended by adding at the end the following new subparagraph:

"(F) REQUIREMENTS RELATING TO PHARMACY BENEFIT MANAGERS.—For plan years beginning on or after January 1, 2028, section 1860D–12(h).".

(3) NONAPPLICATION OF PAPERWORK REDUCTION ACT.—Chapter 35 of title 44, United States Code, shall not apply to the implementation of this subsection.

(4) FUNDING.—

(A) SECRETARY.—In addition to amounts otherwise available, there is appropriated to the Centers for Medicare & Medicaid Services Program Management Account, out of any money in the Treasury not otherwise appropriated, $113,000,000 for fiscal year 2025, to remain available until expended, to carry out this subsection.

(B) OIG.—In addition to amounts otherwise available, there is appropriated to the Inspector General of the Department of Health and Human Services, out of any money in the Treasury not otherwise appropriated, $20,000,000 for fiscal year 2025, to remain available until expended, to carry out this subsection.

(b) GAO STUDY AND REPORT ON PRICE-RELATED COMPENSATION ACROSS THE SUPPLY CHAIN.—

(1) STUDY.—The Comptroller General of the United States (in this subsection referred to as the "Comptroller General") shall conduct a study describing the use of compensation and payment structures related to a prescription drug's price within the retail prescription drug supply chain in part D of title XVIII of the Social Security Act (42 U.S.C. 1395w–101 et seq.). Such study shall summarize information from Federal agencies and industry experts, to the extent available, with respect to the following:

(A) The type, magnitude, other features (such as the pricing benchmarks used), and prevalence of compensation and payment structures related to a prescription drug's price, such as calculating fee amounts as a percentage of a prescription drug's price, between intermediaries in the prescription drug supply chain, including—

(i) pharmacy benefit managers;

(ii) PDP sponsors offering prescription drug plans and Medicare Advantage organizations offering MA–PD plans;

(iii) drug wholesalers;

(iv) pharmacies;

(v) manufacturers;

(vi) pharmacy services administrative organizations;

(vii) brokers, auditors, consultants, and other entities that—

(I) advise PDP sponsors offering prescription drug plans and Medicare Advantage organizations offering MA–PD plans regarding pharmacy benefits; or

(II) review PDP sponsor and Medicare Advantage organization contracts with pharmacy benefit managers; and

(viii) other service providers that contract with any of the entities described in clauses (i) through (vii) that may use price-related compensation and payment structures, such as rebate aggregators (or other entities that negotiate or process price concessions on behalf of pharmacy benefit managers, plan sponsors, or pharmacies).

(B) The primary business models and compensation structures for each category of intermediary described in subparagraph (A).

(C) Variation in price-related compensation structures between affiliated entities (such as entities with common ownership, either full or partial, and subsidiary relationships) and unaffiliated entities.

(D) Potential conflicts of interest among contracting entities related to the use of prescription drug price-related compensation structures, such as the potential for fees or other payments set as a percentage of a prescription drug's price to advantage formulary selection, distribution, or purchasing of prescription drugs with higher prices.

(E) Notable differences, if any, in the use and level of price-based compensation structures over time and between different market segments, such as under part D of title XVIII of the Social Security Act (42 U.S.C. 1395w–101 et seq.) and the Medicaid program under title XIX of such Act (42 U.S.C. 1396 et seq.).

(F) The effects of drug price-related compensation structures and alternative compensation structures on Federal health care programs and program beneficiaries, including with respect to cost-sharing, premiums, Federal outlays, biosimilar and generic drug adoption and utilization, drug shortage risks, and the potential for fees set as a percentage of a drug's price to advantage the formulary selection, distribution, or purchasing of drugs with higher prices.

(G) Other issues determined to be relevant and appropriate by the Comptroller General.

(2) REPORT.—Not later than 2 years after the date of enactment of this section, the Comptroller General shall submit to Congress a report containing the results of the study conducted under paragraph (1), together with recommendations for such legislation and administrative action as the Comptroller General determines appropriate.

(c) MEDPAC REPORTS ON AGREEMENTS WITH PHARMACY BENEFIT MANAGERS WITH RESPECT TO PRESCRIPTION DRUG PLANS AND MA-PD PLANS.—

(1) IN GENERAL.—The Medicare Payment Advisory Commission shall submit to Congress the following reports:

(A) INITIAL REPORT.—Not later than the first March 15 occurring after the date that is 2 years after the date on which the Secretary makes the data available to the Commission, a report regarding agreements with pharmacy benefit managers with respect to prescription drug plans and MA–PD plans. Such report shall include, to the extent practicable—

(i) a description of trends and patterns, including relevant averages, totals, and other figures for the types of information submitted;

(ii) an analysis of any differences in agreements and their effects on plan enrollee out-of-pocket spending and average pharmacy reimbursement, and other impacts; and

(iii) any recommendations the Commission determines appropriate.

(B) FINAL REPORT.—Not later than 2 years after the date on which the Commission submits the initial report under subparagraph (A), a report describing any changes with respect to the information described in subparagraph (A)

over time, together with any recommendations the Commission determines appropriate.

(2) FUNDING.—In addition to amounts otherwise available, there is appropriated to the Medicare Payment Advisory Commission, out of any money in the Treasury not otherwise appropriated, $1,000,000 for fiscal year 2026, to remain available until expended, to carry out this subsection.

TITLE V—COMMITTEE ON FINANCIAL SERVICES

SEC. 50001. GREEN AND RESILIENT RETROFIT PROGRAM FOR MULTIFAMILY FAMILY HOUSING.

The unobligated balance of amounts made available under section 30002(a) of Public Law 117-169 (commonly referred to as the "Inflation Reduction Act"; 136 Stat. 2027) are rescinded.

SEC. 50002. PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD.

(a) During the period beginning on the date of enactment of this Act and ending on the transfer date—

(1) all intellectual property retained by the Public Company Accounting Oversight Board ("Board") in support of its programs for registration, standard-setting, and inspection shall be shared with the Securities and Exchange Commission ("Commission"); and

(2) pending enforcement and disciplinary actions of the Board shall be referred to the Commission or other regulators in accordance with section 105 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7215).

(b) Effective on the transfer date—

(1) all unobligated fees collected under section 109(d) of the Sarbanes-Oxley Act of 2002 shall be transferred to the general fund of the Treasury, and the Commission may not collect fees under such section 109(d);

(2) the duties and powers of the Board in effect as of the day before the transfer date, other than those described in section 107 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7217), shall be transferred to the Commission;

(3) the Commission may not use funds to carry out section 107 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7217) for activities related to overseeing the Board;

(4) the Board shall transfer all intellectual property described in subsection (a)(1) to the Commission;

(5) existing processes and regulations of the Board, including existing Board auditing standards, shall continue in effect unless modified through rule making by the Commission; and

(6) any reference to the Board in any law, regulation, document, record, map, or other paper of the United States shall be deemed a reference to the Commission.

(c) Any employee of the Board as of the date of enactment of this Act may—

(1) be offered equivalent positions on the Commission staff, as determined by the Commission, and submit to the Commission's standard employment policies; and

(2) receive pay that is not higher than the highest paid employee of similarly situated employees of the Commission.

(d) In this section, the term "transfer date" means the date established by the Commission for purposes of this section, except that such date may not be later than the date that is 1 year after the date of enactment of this Act.

SEC. 50003. BUREAU OF CONSUMER FINANCIAL PROTECTION.

Section 1017(a)(2) of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5497(a)(2)) is amended—

(1) in subparagraph (A)(iii)—

(A) by striking "12 percent" and inserting "5 percent"; and

(B) by striking "2013" and inserting "2025"; and

(2) by striking subparagraph (C) and inserting the following:

"(C) LIMITATION ON UNOBLIGATED BALANCES.—With respect to a fiscal year, the amount of unobligated balances of the Bureau may not exceed 5 percent of the dollar amount referred to in subparagraph (A)(iii), as adjusted under subparagraph (B). The Director shall transfer any excess amount of such unobligated balances to the general fund of the Treasury.".

SEC. 50004. CONSUMER FINANCIAL CIVIL PENALTY FUND.

Section 1017(d) of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5497(d)) is amended—

(1) in paragraph (2)—

(A) in the first sentence, by inserting "direct" before "victims"; and

(B) by striking the second sentence; and

(2) by adding at the end the following:

"(3) TREATMENT OF EXCESS AMOUNTS.—With respect to a civil penalty described under paragraph (1), if the Bureau makes payments to all of the direct victims of activities for which that civil penalty was imposed, the Bureau shall transfer all amounts that remain in the Civil Penalty Fund with respect to that civil penalty to the general fund of the Treasury.".

SEC. 50005. FINANCIAL RESEARCH FUND.

Section 155 of the Financial Stability Act of 2010 (12 U.S.C. 5345) is amended by adding at the end the following:

"(e) LIMITATION ON ASSESSMENTS AND THE FINANCIAL RESEARCH FUND.—

"(1) LIMITATION ON ASSESSMENTS.—Assessments may not be collected under subsection (d) if the assessments would result in—

"(A) the Financial Research Fund exceeding the average annual budget amount; or

"(B) the total assessments collected during a single fiscal year exceeding the average annual budget amount.

"(2) TRANSFER OF EXCESS FUNDS.—Any amounts in the Financial Research Fund exceeding the average annual budget amount shall be deposited into the general fund of the Treasury.

"(3) AVERAGE ANNUAL BUDGET AMOUNT DEFINED.—In this subsection the term 'average annual budget amount' means the

annual average, over the 3 most recently completed fiscal years, of the expenses of the Council in carrying out the duties and responsibilities of the Council that were paid by the Office using amounts obtained through assessments under subsection (d).".

TITLE VI—COMMITTEE ON HOMELAND SECURITY

SEC. 60001. BORDER BARRIER SYSTEM CONSTRUCTION, INVASIVE SPECIES, AND BORDER SECURITY FACILITIES IMPROVEMENTS.

In addition to amounts otherwise available, there is appropriated to the Commissioner of U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029, the following:

(1) $46,500,000,000 for necessary expenses relating to the following:

(A) Construction, installation, or improvement of primary, waterborne, and secondary barriers.

(B) Access roads.

(C) Barrier system attributes, including cameras, lights, sensors, roads, and other detection technology.

(2) $50,000,000 for necessary expenses relating to eradication and removal of the carrizo cane plant, salt cedar, or any other invasive plant species that impedes border security operations along the Rio Grande River.

(3) $5,000,000,000 for necessary expenses relating to lease, acquisition, construction, or improvement of U.S. Customs and Border Protection facilities and checkpoints in the vicinity of the southwest, northern, and maritime borders.

SEC. 60002. U.S. CUSTOMS AND BORDER PROTECTION PERSONNEL AND FLEET VEHICLES.

(a) CBP PERSONNEL.—In addition to amounts otherwise available, there is appropriated to the Commissioner of U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $4,100,000,000, to remain available until September 30, 2029, to hire and train additional Border Patrol agents, Office of Field Operations Officers, Air and Marine agents, rehired annuitants, and U.S. Customs and Border Protection support personnel.

(b) RESTRICTIONS.—None of the funds made available by subsection (a) may be used to recruit, hire, or train personnel for the duties of processing coordinators.

(c) CBP RETENTION AND HIRING BONUSES.—In addition to amounts otherwise available, there is appropriated to the Commissioner of U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $2,052,630,000, to remain available until September 30, 2029, to provide annual retention bonuses or signing bonuses to eligible Border Patrol agents, Office of Field Operations Officers, and Air and Marine agents.

(d) CBP VEHICLES.—In addition to amounts otherwise available, there is appropriated to the Commissioner of U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $813,000,000, to remain available until September 30, 2029, for the lease or acquisition of additional marked patrol units.

(e) FLETC.—In addition to amounts otherwise available, there is appropriated to the Director of the Federal Law Enforcement Training Center for fiscal year 2025, out of any money in the Treasury not otherwise appropriated—

(1) $285,000,000, to remain available until September 30, 2029, to support the training of newly hired Federal law enforcement personnel employed by the Department of Homeland Security; and

(2) $465,000,000, to remain available until September 30, 2029, for procurement and construction, improvements, and related expenses of the Federal Law Enforcement Training Centers facilities.

(f) BORDER SECURITY WORKFORCE RECRUITMENT AND APPLICANT SOURCING.—In addition to amounts otherwise available, there is appropriated to the Commissioner of U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $600,000,000, to remain available until September 30, 2029, for marketing, recruiting, applicant sourcing and vetting, and operational mobility programs for border security personnel.

SEC. 60003. U.S. CUSTOMS AND BORDER PROTECTION TECHNOLOGY, NATIONAL VETTING CENTER, AND OTHER EFFORTS TO ENHANCE BORDER SECURITY.

(a) CBP TECHNOLOGY.—In addition to amounts otherwise available, there is appropriated to the Commissioner of U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029, the following:

(1) $1,076,317,000 for necessary expenses relating to procurement and integration of new non-intrusive inspection equipment and associated civil works, artificial intelligence, integration, and machine learning, as well as other mission support, to combat the entry of illicit narcotics along the southwest, northern, and maritime borders.

(2) $2,766,000,000 for necessary expenses relating to upgrades and procurement of border surveillance technologies along the southwest, northern, and maritime borders.

(3) $673,000,000 for necessary expenses, including the deployment of technology, relating to the biometric entry and exit system under section 7208 of the Intelligence Reform and Terrorism Prevention Act of 2004 (8 U.S.C. 1365b).

(b) RESTRICTIONS.—None of the funds made available pursuant to subsection (a)(2) may be used for the procurement or deployment of surveillance towers that have not been—

(1) tested, and

(2) accepted,

by the Federal Government to deliver autonomous capabilities.

(c) AIR AND MARINE OPERATIONS.—In addition to amounts otherwise available, there is appropriated to the Commissioner of U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $1,234,000,000, to remain available until September 30, 2029, for Air and Marine Operations' upgrading and procurement of new platforms for rapid air and marine response capabilities.

(d) NATIONAL VETTING CENTER.—In addition to amounts otherwise available, there is appropriated to the Commissioner of U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $16,000,000, to remain available until September 30, 2029, for necessary expenses relating to U.S. Customs and Border Protection's National Vetting Center to support screening, vetting activities, and expansion of the criminal history database of foreign nationals.

(e) OTHER EFFORTS TO COMBAT DRUG TRAFFICKING TO ENHANCE BORDER SECURITY.—In addition to amounts otherwise available, there is appropriated to the Secretary of Homeland Security for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $500,000,000, to remain available until September 30, 2029, for enhancing border security and combatting trafficking, including fentanyl and its precursor chemicals, at the southwest, northern, and maritime borders.

(f) COMMEMORATIONS.—In addition to amounts otherwise available, there is appropriated to the Secretary of Homeland Security for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $1,000,000, to remain available until September 30, 2029, for commemorating efforts and events related to border security.

(g) DEFINITION.—In this section, the term "autonomous" means integrated software and hardware systems that utilize sensors, onboard computing, and artificial intelligence to identify items of interest that would otherwise be manually identified by U.S. Customs and Border Protection personnel.

SEC. 60004. STATE AND LOCAL LAW ENFORCEMENT PRESIDENTIAL RESIDENCE PROTECTION.

(a) PRESIDENTIAL RESIDENCE PROTECTION.—In addition to amounts otherwise available, there is appropriated to the Administrator of the Federal Emergency Management Agency, for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $300,000,000, to remain available until September 30, 2029, for the reimbursement of extraordinary law enforcement personnel costs for protection activities directly and demonstrably associated with any residence of the President that is designated pursuant to section 3 of the Presidential Protection Assistance Act of 1976 (Public Law 94–524) to be secured by the United States Secret Service.

(b) AVAILABILITY.—Funds under subsection (a) shall be available only for costs that a State or local agency—

(1) incurred or incurs on or after July 1, 2024;

(2) can demonstrate to the Administrator of the Federal Emergency Management Agency as being—

(A) in excess of the costs of normal and typical law enforcement operations;

(B) directly attributable to the provision of protection described in such subsection; and

(C) associated with a non-governmental property designated pursuant to section 3 of the Presidential Protection Assistance Act of 1976 (Public Law 94–524) to be secured by the United States Secret Service; and

(3) certifies to the Administrator as being for protection activities requested by the Director of the United States Secret Service.

SEC. 60005. STATE HOMELAND SECURITY GRANT PROGRAM.

In addition to amounts otherwise available, there is appropriated to the Administrator of the Federal Emergency Management Agency, for fiscal year 2025, out of any money in the Treasury, not otherwise appropriated, to be administered under the State Homeland Security Grant Program authorized under section 2004 of the Homeland Security Act of 2002 (6 U.S.C. 605), to enhance State, local, and Tribal security through grants, contracts, cooperative agreements, and other activities, of which—

(1) $500,000,000, to remain available until September 30, 2029, for State and local capabilities to detect, identify, track, or monitor threats from unmanned aircraft systems (as such term is defined in section 44801 of title 49, United States Code);

(2) $625,000,000, to remain available until September 30, 2029, for security, planning, and other costs related to the 2026 FIFA World Cup;

(3) $1,000,000,000, to remain available until September 30, 2029, for security, planning, and other costs related to the 2028 Olympics; and

(4) $450,000,000, to remain available until September 30, 2029, for the Operation Stonegarden Grant Program.

TITLE VII—COMMITTEE ON THE JUDICIARY

Subtitle A—Immigration Matters

PART 1—IMMIGRATION FEES

SEC. 70001. APPLICABILITY OF THE IMMIGRATION LAWS.

(a) APPLICABILITY.—Notwithstanding any provision of the immigration laws (as defined under section 101 of the Immigration and Nationality Act), the fees under this subtitle shall apply.

(b) TERMS.—The terms used under this subtitle shall have the meanings given such terms in section 101 of the Immigration and Nationality Act.

(c) REFERENCES TO IMMIGRATION AND NATIONALITY ACT.—Except as otherwise expressly provided, whenever this subtitle references a section or other provision, the reference shall be considered to be to a section or other provision of the Immigration and Nationality Act.

SEC. 70002. ASYLUM FEE.

(a) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of Homeland Security or the Attorney General, as applicable, shall impose a fee in the amount specified in this section for a fiscal year on each alien who files an application for asylum under section 208 of the Immigration and Nationality Act at the time such application is filed.

(b) INITIAL AMOUNT.—The amount specified in this section for fiscal year 2025 shall be such amount as the Secretary or Attorney General, as applicable, may by rule provide, but in any event not less than $1,000.

(c) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this section for a fiscal year shall be equal to the sum of—

(1) the amount imposed under this section for the prior fiscal year; and

(2) rounded to the next lowest multiple of $10, the amount referred to in paragraph (1), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(d) CREDITING CERTAIN FUNDS.—During any fiscal year, the total amount of fees received under this section shall be credited as follows:

(1) 50 percent of fees received from applications filed with the Attorney General shall be credited to the Executive Office for Immigration Review to retain and spend without further appropriation.

(2) 50 percent of fees received from applications filed with the Secretary of Homeland Security shall be credited to U.S. Citizenship and Immigration Services and deposited into the Immigration Examinations Fee Account established under section 286(m) of the Immigration and Nationality Act (8 U.S.C. 1356(m)) to retain and spend without further appropriation.

(3) Any amounts not credited to the Executive Office for Immigration Review or U.S. Citizenship and Immigration Services shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70003. EMPLOYMENT AUTHORIZATION DOCUMENT FEES.

(a) ASYLUM APPLICANTS.—

(1) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of Homeland Security shall impose on any alien who files an initial application for employment authorization under section 208(d)(2) of the Immigration and Nationality Act a fee in the amount specified in this subsection at the time such initial employment authorization application is filed. Each initial employment authorization shall be valid for a period of not more than six months.

(2) INITIAL AMOUNT.— For purposes of this subsection, the amount specified in this subsection for fiscal year 2025 shall be

such amount as the Secretary may by rule provide, but in any event not less than $550.

(3) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this section for the prior fiscal year; and

(B) rounded to the next lowest multiple of $10, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(4) CREDITING OF FUNDS.—25 percent of fees received under this section shall be credited to U.S. Citizenship and Immigration Services and deposited into the Immigration Examinations Fee Account established under section 286(m) of the Immigration and Nationality Act (8 U.S.C. 1356(m)) to retain and spend without further appropriation, of which 50 percent shall be used by U.S. Citizenship and Immigration Services to detect and prevent immigration benefit fraud. Any amounts not credited to U.S. Citizenship and Immigration Services under this section shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(5) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

(b) PAROLE.—

(1) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of Homeland Security shall impose on any alien paroled into the United States a fee for any initial application for employment authorization in an amount specified in this subsection at the time such initial application is filed. Each initial employment authorization shall be valid for a period of not more than six months.

(2) INITIAL AMOUNT.—For purposes of this subsection, the amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $550.

(3) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this subsection for the prior fiscal year; and

(B) rounded to the next lowest multiple of $10, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(4) CREDITING OF FUNDS.—The fees received under this section shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(5) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

(c) TEMPORARY PROTECTED STATUS.—

(1) IN GENERAL.—In addition to any other fee authorized by law, for any alien who files an initial application for employment authorization under section 244(a)(1)(B) of the Immigration and Nationality Act, the Secretary of Homeland Security shall impose a fee in an amount specified in this subsection at the time such initial application is filed. Each initial employment authorization shall be valid for a period of not more than six months.

(2) INITIAL AMOUNT.—For purposes of this subsection, the amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $550.

(3) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this subsection for the prior fiscal year; and

(B) rounded to the next lowest multiple of $10, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(4) CREDITING OF CERTAIN FUNDS.—The fees received under this section shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(5) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

SEC. 70004. PAROLE FEE.

(a) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of Homeland Security shall impose a fee in an amount specified in this section on each alien who is paroled into the United States, except if, as established by the alien, the alien is paroled because—

(1) the alien has a medical emergency, and—

(A) the alien cannot obtain necessary treatment in the foreign state in which the alien is residing; or

(B) the medical emergency is life-threatening and there is insufficient time for the alien to be admitted to the United States through the normal visa process;

(2) the alien is the parent or legal guardian of an alien described in paragraph (1) and the alien described in paragraph (1) is a minor;

(3) the alien is needed in the United States to donate an organ or other tissue for transplant and there is insufficient time for the alien to be admitted to the United States through the normal visa process;

(4) the alien has a close family member in the United States whose death is imminent and the alien could not arrive in the United States in time to see such family member alive if the

alien were to be admitted to the United States through the normal visa process;

(5) the alien is seeking to attend the funeral of a close family member and the alien could not arrive in the United States in time to attend such funeral if the alien were to be admitted to the United States through the normal visa process;

(6) the alien is an adopted child with an urgent medical condition who is in the legal custody of the petitioner for a final adoption-related visa and whose medical treatment is required before the expected award of a final adoption-related visa;

(7) the alien is a lawful applicant for adjustment of status under section 245 of the Immigration and Nationality Act and is returning to the United States after temporary travel abroad;

(8) the alien is returned to a contiguous country under section 235(b)(2)(C) of the Immigration and Nationality Act and paroled into the United States to allow the alien to attend the alien's immigration hearing;

(9) the alien—

(A) is a national of the Republic of Cuba and is living in the Republic of Cuba;

(B) is the beneficiary of an approved petition under section 203(a) of the Immigration and Nationality Act;

(C) is an alien for whom an immigrant visa is not immediately available;

(D) meets all eligibility requirements for an immigrant visa;

(E) is not otherwise inadmissible; and

(F) is receiving a grant of parole in furtherance of the commitment of the United States to the minimum level of annual legal migration of Cuban nationals to the United States specified in the U.S.-Cuba Joint Communiqué on Migration, done at New York September 9, 1994, and reaffirmed in the Cuba-United States: Joint Statement on Normalization of Migration, Building on the Agreement of September 9, 1994, done at New York May 2, 1995; or

(10) the Secretary of Homeland Security determines that a significant public benefit has resulted or will result from the parole of an alien only if—

(A) the alien has assisted or will assist the United States Government in a law enforcement matter;

(B) the alien's presence is required by the Government in furtherance of such law enforcement matter; and

(C) the alien is inadmissible, does not satisfy the eligibility requirements for admission as a nonimmigrant, or there is insufficient time for the alien to be admitted to the United States through the normal visa process.

(b) INITIAL AMOUNT.—For purposes of this section, the amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $1,000.

(c) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this section for a fiscal year shall be equal to the sum of—

(1) the amount imposed under this section for the prior fiscal year; and

(2) rounded to the next lowest multiple of $10, the amount referred to in paragraph (1), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(d) CREDITING OF FUNDS.—Fees received under this section shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70005. SPECIAL IMMIGRANT JUVENILE FEE.

(a) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of Homeland Security shall impose a fee in an amount specified in this section on any alien applying for special immigrant juvenile status under section 101(a)(27)(J) of the Immigration and Nationality Act if reunification with 1 parent or legal guardian is viable, notwithstanding abuse, neglect, abandonment, or a similar basis found under State law making reunification with the other parent or legal guardian not viable.

(b) INITIAL AMOUNT.—For purposes of this subsection, the amount specified in this section for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $500.

(c) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this section for a fiscal year shall be equal to the sum of—

(1) the amount imposed under this section for the prior fiscal year; and

(2) rounded to the next lowest multiple of $10, the amount referred to in paragraph (1), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(d) CREDITING OF FUNDS.—Fees received under this section shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70006. TEMPORARY PROTECTED STATUS FEE.

(a) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of Homeland Security shall impose a fee in an amount specified in this section for the consideration of an application for temporary protected status under section 244 of the Immigration and Nationality Act on any alien who—

(1) has not been admitted into the United States; or

(2) has been admitted to the United States as a nonimmigrant but at the time of application for temporary protected status has failed—

(A) to maintain or extend the nonimmigrant status in which the alien was admitted or to which the status was changed under section 248 of the Immigration and Nationality Act, including complying with the period of stay authorized by the Secretary of Homeland Security in connection with such status; or

(B) to comply with the conditions of such nonimmigrant status.

(b) INITIAL AMOUNT.—For purposes of this subsection, the amount specified in this section for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $500.

(c) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this section for a fiscal year shall be equal to the sum of—

(1) the amount imposed under this section for the prior fiscal year; and

(2) rounded to the next lowest multiple of $10, the amount referred to in paragraph (1), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(d) CREDITING OF FUNDS.—Fees received under this section shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70007. UNACCOMPANIED ALIEN CHILD SPONSOR FEE.

(a) IN GENERAL.—In addition to any other fee authorized by law, before placing the child with an individual under section 235(c) of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008, the Secretary of Health and Human Services shall collect from that individual a fee in an amount specified in this section as partial reimbursement to the Federal Government for the period during which the child was in the custody of the Government, for processing, housing, feeding, educating, transporting, and otherwise providing for the care of the child.

(b) INITIAL AMOUNT.—For purposes of this subsection, the amount specified in this section for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $3,500.

(c) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this section for a fiscal year shall be equal to the sum of—

(1) the amount imposed under this section for the prior fiscal year; and

(2) rounded to the next lowest multiple of $10, the amount referred to in paragraph (1), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Con-

sumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(d) CREDITING OF FUNDS.—During any fiscal year, the total amount of fees received under this section shall be credited as follows:

(1) 25 percent of fees received under this section shall be credited to the Department of Health and Human Services to retain and spend without further appropriation and shall be used for the purpose of conducting background checks of potential sponsors of unaccompanied alien children and of adults residing in potential sponsors' households, which shall include, at a minimum—

(A) the name of the individual and all adult residents of the individual's household;

(B) the social security number of the individual and all adult residents of the individual's household;

(C) the date of birth of the individual and all adult residents of the individual's household;

(D) the validated location of the individual's residence where the child will be placed;

(E) the immigration status of the individual and all adult residents of the individual's household;

(F) contact information for the individual and all adult residents of the individual's household; and

(G) the results of all background and criminal records checks for the individual and all adult residents of the individual's household, which shall include at a minimum an investigation of the public records sex offender registry, a public records background check, and a national criminal history check based on fingerprints.

(2) Any amounts not credited to the Department of Health and Human Services shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70008. VISA INTEGRITY FEE.

(a) VISA INTEGRITY FEE.—

(1) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of State shall impose a fee in an amount specified in this subsection on each alien issued a nonimmigrant visa by the State Department upon the issuance of such alien's nonimmigrant visa.

(2) INITIAL AMOUNT.—For purposes of this subsection, the amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $250.

(3) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this section for the prior fiscal year; and

(B) rounded to the next lowest multiple of $1, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(4) CREDITING OF FUNDS.—The fees received under this subsection that are not reimbursed in accordance with subsection (b) shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

(5) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

(b) FEE REIMBURSEMENT.—The Secretary of State may reimburse to an alien a fee imposed under this section on that alien for the issuance of a nonimmigrant visa after the expiration of such nonimmigrant visa's period of validity if the alien demonstrates that—

(1) the alien has not sought admission during such period of validity;

(2) the alien, after admission to the United States pursuant to such nonimmigrant visa, complied with all conditions of such nonimmigrant visa, including the condition that an alien shall not accept unauthorized employment, and that the alien departed the United States not later than 5 days after the date on which the alien was authorized to remain in the United States; or

(3) the alien filed to extend, change, or adjust such status within the nonimmigrant visa's period of validity.

SEC. 70009. FORM I–94 FEE.

(a) FEE AUTHORIZED.—In addition to any other fee authorized by law, the Secretary of Homeland Security shall impose a fee in an amount specified in subsection (b) on any alien upon the alien's application for a Form I–94 Arrival/Departure Record.

(b) FEE SPECIFIED.—

(1) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $24.

(2) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this section for the prior fiscal year; and

(B) the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(c) CREDITING OF FUNDS.—During any fiscal year, the total amount of fees received under this section shall be credited as follows:

(1) 20 percent of the fee collected under this section for each application shall be deposited pursuant to section 286(q)(2) of the Immigration and Nationality Act (8 U.S.C. 1356(q)(2)) and

made available to U.S. Customs and Border Protection to retain and spend without further appropriation for the purpose of processing Form I–94.

(2) Any amounts not credited to U.S. Customs and Border Protection shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

(d) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70010. YEARLY ASYLUM FEE.

(a) FEE AUTHORIZED.—In addition to any other fee authorized by law, for each calendar year that an alien's application for asylum remains pending, the Secretary of Homeland Security or the Attorney General, as applicable, shall impose a fee in an amount specified in subsection (b) on that alien.

(b) FEE SPECIFIED.—

(1) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary and the Attorney General may by rule provide, but in any event not less than $100.

(2) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this section for the prior fiscal year; and

(B) the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(c) CREDITING OF FUNDS.—The fees received under this section shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

(d) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70011. FEE FOR CONTINUANCES GRANTED IN IMMIGRATION COURT PROCEEDINGS.

(a) IN GENERAL.—In addition to any other fee authorized by law, the Attorney General shall impose a fee in an amount specified in subsection (b) on any alien who requests and is granted a continuance by an immigration judge for each such continuance.

(b) FEE SPECIFIED.—

(1) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $100.

(2) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this section for the prior fiscal year; and

(B) the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer

Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(c) CREDITING OF CERTAIN FUNDS.—Amounts received as fees under this section shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

(d) NO WAIVER.—A fee imposed under this section shall not be waived or reduced, except no fee shall be imposed on any alien whose request for a continuance is granted based on exceptional circumstances (as such term is defined in section 240 of the Immigration and Nationality Act).

SEC. 70012. FEE RELATING TO RENEWAL AND EXTENSION OF EMPLOYMENT AUTHORIZATION FOR PAROLEES.

(a) FEE IMPOSED.—In addition to any other fee authorized by law, for a parolee who seeks a renewal or extension of employment authorization based on a grant of parole, the Secretary of Homeland Security shall impose a fee in an amount specified in subsection (b).

(b) FEE SPECIFIED.—

(1) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $550.

(2) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this subsection for the prior fiscal year; and

(B) rounded to the next lowest multiple of $10, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(c) IN GENERAL.—The employment authorization for any alien paroled into the United States, or any renewal or extension thereof, shall be valid for a period of not more than six months.

(d) CREDITING OF FUNDS.—The fees received under this section shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

SEC. 70013. FEE RELATING TO TERMINATION, RENEWAL, AND EXTENSION OF EMPLOYMENT AUTHORIZATION FOR ASYLUM APPLICANTS.

(a) FEE IMPOSED.—In addition to any other fee authorized by law, for any alien who applies for asylum and who seeks a renewal or extension of employment authorization based on such application, the Secretary of Homeland Security shall impose a fee of not less than $550 for each such renewal or extension, in accordance with subsection (b).

(b) EMPLOYMENT AUTHORIZATION.—The Secretary of Homeland Security may provide employment authorization to an applicant for asylum for a period of not more than six months. Each renewal or extension thereof shall also be valid for a period of not more than six months.

(c) TERMINATION.—Each initial employment authorization, or renewal or extension of such authorization, shall terminate as follows:

(1) Immediately following the denial of an asylum application by an asylum officer, unless the case is referred to an immigration judge.

(2) On the date that is 30 days after the date on which an immigration judge denies an asylum application, unless the alien makes a timely appeal to the Board of Immigration Appeals.

(3) Immediately following the denial by the Board of Immigration Appeals of an appeal of a denial of an asylum application.

(d) PROHIBITION.—The Secretary of Homeland Security shall not grant, renew, or extend employment authorization to an alien if the alien was previously granted employment authorization as an applicant for asylum and the employment authorization was terminated pursuant to a circumstance described in subsection (c), unless a Federal Court of Appeals remands the alien's case to the Board of Immigration Appeals.

(e) CREDITING OF FUNDS.—The total amount of fees received under this section shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

(f) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

SEC. 70014. FEE RELATING TO RENEWAL AND EXTENSION OF EMPLOYMENT AUTHORIZATION FOR ALIENS GRANTED TEMPORARY PROTECTED STATUS.

(a) FEE IMPOSED.—In addition to any other fee authorized by law, for any alien who seeks a renewal or extension of employment authorization based on a grant of temporary protected status, the Secretary of Homeland Security shall impose a fee in an amount specified in subsection (b) at the time of each such renewal or extension.

(b) FEE SPECIFIED.—

(1) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $550.

(2) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this subsection for the prior fiscal year; and

(B) rounded to the next lowest multiple of $10, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the

Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(c) EMPLOYMENT AUTHORIZATION.—Any employment authorization for an alien granted temporary protected status, or any renewal or extension thereof, shall be valid for a period of not more than six months.

(d) CREDITING OF FUNDS.—The fees received under this section shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

SEC. 70015. DIVERSITY IMMIGRANT VISA FEES.

(a) FEE FOR FILING A DIVERSITY IMMIGRANT VISA APPLICATION.—

(1) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of State shall impose on any alien who files an application for a diversity immigrant visa as described in section 203(c) of the Immigration and Nationality Act (8 U.S.C. 1153(c)) a fee in the amount specified in this subsection at the time such application is filed.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $400.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(b) FEE FOR ALIENS WHO REGISTER FOR THE DIVERSITY IMMIGRANT VISA PROGRAM.—

(1) IN GENERAL.—In addition to any other fee authorized by law, the Secretary of State shall impose on any alien who registers for the diversity immigrant visa program, as described in section 203(c) of the Immigration and Nationality Act (8 U.S.C. 1153(c)) a fee in the amount specified in this subsection at the time of registration.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $250.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified

in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(c) CREDITING OF FUNDS.—During any fiscal year, the total amount of fees received under this section shall be credited as follows:

(1) 10 percent of fees received shall be credited to the Department of State to retain and spend without further appropriation to detect and prevent fraud in the diversity immigrant visa program and to offset costs associated with such program.

(2) 10 percent of fees received shall be credited to U.S. Immigration and Customs Enforcement to retain and spend without further appropriation for the purpose of detention and immigration enforcement and removal operations.

(3) Any amounts not credited under this subsection to the Department of State or U.S. Immigration and Customs Enforcement shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(d) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70016. EOIR FEES.

(a) FEE FOR FILING AN APPLICATION TO ADJUST STATUS TO THAT OF A LAWFUL PERMANENT RESIDENT.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files with an immigration court an application to adjust the alien's status to that of a lawful permanent resident, or whose application to adjust status to that of a lawful permanent resident is adjudicated in immigration court, a fee in the amount specified in this subsection at the time such application is filed, or, as applicable, prior to the adjudication of such application in immigration court.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $1,500.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index

for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 50 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(b) FEE FOR FILING AN APPLICATION FOR WAIVER OF GROUNDS OF INADMISSIBILITY.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files with an immigration court an application for waiver of grounds of inadmissibility, or whose application for waiver of grounds of inadmissibility is adjudicated in immigration court, a fee in the amount specified in this subsection at the time such application is filed, or, as applicable, prior to the adjudication of such application in immigration court.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $1,050.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(c) FEE FOR FILING AN APPLICATION FOR TEMPORARY PROTECTED STATUS.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files with an immigration court an application for temporary protected status, or whose application for temporary protected status is adjudicated in immigration court, a fee in the amount specified in this subsection at the time such application is filed or, as applicable, prior to the adjudication of such application in immigration court.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $500.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(d) FEE FOR FILING AN APPEAL FROM A DECISION OF AN IMMIGRATION JUDGE.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files any appeal from a decision of an immigration judge a fee in the amount specified in this subsection at the time such appeal is filed.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $900.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) EXCEPTION.—The fee described in this section shall not apply to the appeal of a bond decision.

(4) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(e) FEE FOR FILING AN APPEAL FROM A DECISION OF AN OFFICER OF THE DEPARTMENT OF HOMELAND SECURITY.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files an appeal from a decision of an officer of the Department of Homeland Security a fee in the amount specified in this subsection at the time such appeal is filed.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $900.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of Immigration and Nationality and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(f) FEE FOR FILING AN APPEAL FROM A DECISION OF AN ADJUDICATING OFFICIAL IN A PRACTITIONER DISCIPLINARY CASE.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any practitioner who files an appeal from a decision of an adjudicating official in a practitioner disciplinary case a fee in the amount specified in this subsection at the time such appeal is filed.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $1,325.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(g) FEE FOR FILING A MOTION TO REOPEN OR A MOTION TO RECONSIDER.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files a motion to reopen or motion to reconsider a decision of an immigration judge or the Board of Immigration Appeals a fee in the amount specified in this subsection at the time such motion is filed.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $900.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) EXCEPTIONS.—The fee described in this section shall not apply to any motion that is:

(A) a motion to reopen a removal order entered in absentia if the motion is filed under section 240(b)(5)(C)(ii) of the Immigration and Nationality Act; or

(B) a motion to reopen a deportation order entered in absentia if the motion is filed under section 242B(c)(3)(B) of the Immigration and Nationality Act, as the section existed prior to April 1, 1997.

(4) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(h) FEE FOR FILING AN APPLICATION FOR SUSPENSION OF DEPORTATION.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files with an immigration court an application for suspension of deportation a fee in the amount specified in this subsection at the time such application is filed.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $600.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received

under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(i) FEE FOR FILING AN APPLICATION FOR CANCELLATION OF REMOVAL FOR CERTAIN PERMANENT RESIDENTS.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files with an immigration court an application for cancellation of removal for certain permanent residents a fee in the amount specified in this subsection at the time such application is filed.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Attorney General may by rule provide, but in any event not less than $600.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(j) FEE FOR FILING AN APPLICATION FOR CANCELLATION OF REMOVAL AND ADJUSTMENT OF STATUS FOR CERTAIN NONPERMANENT RESIDENTS.—

(1) IN GENERAL.—In addition to any other fees authorized by law, the Attorney General shall impose on any alien who files with an immigration court an application for cancellation of removal and adjustment of status for certain nonpermanent residents a fee in the amount specified in this subsection at the time such application is filed.

(2) FEE SPECIFIED.—

(A) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the At-

torney General may by rule provide, but in any event not less than $1,500.

(B) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(i) the amount imposed under this subsection for the prior fiscal year; and

(ii) rounded to the next lowest multiple of $10, the amount referred to in clause (i), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(3) CREDITING CERTAIN FUNDS.—During any fiscal year, not more than 25 percent of the total amount of fees received under this section shall be derived by transfer from the Immigration Examinations Fee Account under section 286(n) of the Immigration and Nationality Act and credited to the Executive Office for Immigration Review to retain and spend without further appropriation. Any amounts not credited under the previous sentence shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(k) NO WAIVER.—Any fee imposed under this section shall not be waived or reduced.

(l) CONDITION ON FUNDS.—No fees received under this section shall be used to fund the Legal Orientation Program or any successor program.

SEC. 70017. ESTA FEE.

Section 217(h)(3)(B) of the Immigration and Nationality Act (8 U.S.C. 1187(h)(3)(B)) is amended—

(1) in clause (i)—

(A) in subclause (I), by striking "and" at the end;

(B) in subclause (II)—

(i) by inserting after "an amount" the following "of not less than $10"; and

(ii) by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following:

"(III) not less than $13.";

(2) in clause (ii)—

(A) by striking "Amounts collected under clause (i)(I)" and inserting the following:

"(I) IN GENERAL.—Notwithstanding any other provision of law, of the amounts collected under clause (i)(I) during a fiscal year, not more than $20,000,000";

(B) by inserting before the period at the end of the first sentence the following: ", and the remainder of the amounts collected under clause (i)(I) shall be credited as offsetting receipts and deposited in the general fund of the Treasury"; and

(C) by inserting after "to pay the costs incurred to administer the System." the following: "Amounts collected under clause (i)(III) shall be credited as offsetting receipts and deposited in the general fund of the Treasury.";

(3) in clause (iii), by striking "2028" and inserting "2034"; and

(4) by adding at the end the following:

"(iv) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in clause (i)(II) for a fiscal year shall be equal to the sum of—

"(I) the amount imposed under this subsection for the prior fiscal year; and

"(II) the amount referred to in subclause (I), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.".

SEC. 70018. IMMIGRATION USER FEES.

Section 286 of the Immigration and Nationality Act (8 U.S.C. 1356) is amended—

(1) in subsection (d)—

(A) by striking "In addition to any other fee" and inserting the following:

"(1) IN GENERAL.—In addition to any other fee";

(B) by inserting "and except as provided in subsection (e)," before "the Attorney General shall charge and collect";

(C) by striking "$7" and inserting "a fee in an amount specified in paragraph (2)"; and

(D) by adding at the end the following:

"(2) INITIAL AMOUNT.—For purposes of this section, the amount specified in this section for fiscal year 2025 shall be not less than $10.

"(3) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

"(A) the amount imposed under this subsection for the prior fiscal year; and

"(B) rounded to the next lowest multiple of $0.25, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

"(4) CREDITING OF AMOUNTS.—Of amounts collected under this subsection $1 per individual for immigration inspection or preinspection as described in this subsection shall be credited as offsetting receipts and deposited in the general fund of the Treasury.

"(5) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced."; and

(2) in subsection (e)—

(A) by striking paragraph (1);

(B) by redesignating paragraphs (2) and (3) as paragraphs (1) and (2); and

(C) in paragraph (2) (as redesignated by subparagraph (B) above), by striking "The Attorney General shall charge" and all that follows through "this requirement shall not apply to" and inserting the following: "No fee shall be charged under subsection (d) for".

SEC. 70019. EVUS FEE.

(a) IN GENERAL.— In addition to any other fee authorized by law, the Secretary of Homeland Security shall impose on any alien subject to the Electronic Visa Update System a fee in the amount specified in this section at the time of such alien's enrollment in the Electronic Visa Update System.

(b) AMOUNT.—For purposes of this section, the amount specified in this section for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $30.

(c) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this section for a fiscal year shall be equal to the sum of—

(1) the amount imposed under this section for the prior fiscal year; and

(2) rounded to the next lowest multiple of $0.25, the amount referred to in paragraph (1), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(d) CREDITING OF FUNDS.—

(1) IN GENERAL.—The fees received under this section shall be deposited into the CBP Electronic Visa Update System Account, less $5 per enrollment which shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(2) ESTABLISHMENT.—Notwithstanding any other provision of law, there is hereby established in the Treasury of the United States a separate account which shall be known as the "CBP Electronic Visa Update System Account".

(3) APPROPRIATION.— Amounts deposited in the CBP Electronic Visa Update System Account are hereby appropriated to make payments and offset program costs as specified in this section without further appropriation necessary and shall remain available until expended for any U.S. Customs and Border Protection costs associated with administering the Electronic Visa Update System.

(e) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70020. FEE FOR SPONSOR OF UNACCOMPANIED ALIEN CHILD WHO FAILS TO APPEAR IN IMMIGRATION COURT.

(a) FEE IMPOSED.—In addition to any other fee authorized by law, for the sponsor of an unaccompanied alien child, the Secretary

of Health and Human Services shall impose a fee in an amount specified in subsection (b) prior to the unaccompanied alien child's release to such sponsor.

(b) FEE SPECIFIED.—

(1) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $5,000.

(2) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this subsection for the prior fiscal year; and

(B) rounded to the next lowest multiple of $10, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(c) FEE REIMBURSEMENT.—At the conclusion of an unaccompanied alien child's immigration court proceedings as an unaccompanied alien child, or upon the ending of such sponsor's sponsorship of such unaccompanied alien child, the Secretary of Health and Human Services may reimburse to a sponsor a fee imposed under this section if such sponsor demonstrates that the unaccompanied alien child in the care of such sponsor was not ordered removed in absentia under section 240(b)(5) of the Immigration and Nationality Act. In the case of a sponsor of an unaccompanied alien child who was ordered removed in absentia and such order was rescinded under section 240(b)(5)(C) of the Immigration and Nationality Act, the sponsor may seek reimbursement of the fee under this section.

(d) CREDITING OF FUNDS.—The fees received under this section shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

SEC. 70021. FEE FOR ALIENS ORDERED REMOVED IN ABSENTIA.

(a) IN GENERAL .—As partial reimbursement for the cost of arresting an alien described in this section, the Secretary of Homeland Security shall impose a fee in an amount specified in this section on any alien who—

(1) is ordered removed in absentia under section 240(b)(5) of the Immigration and Nationality Act (8 U.S.C. 1229a(b)(5)); and

(2) is subsequently arrested by U.S. Immigration and Customs Enforcement.

(b) INITIAL AMOUNT.—For purposes of this subsection, the amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $5,000.

(c) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount for a fiscal year shall be equal to the sum of—

(1) the amount imposed under this section for the prior fiscal year; and

(2) rounded to the next lowest multiple of $10, the amount referred to in paragraph (1), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(d) CREDITING OF FUNDS.—The fees received under this section shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(e) NO WAIVER.—A fee imposed under this subsection shall not be waived or reduced.

(f) EXCEPTION.—The fee described in this section shall not apply to any alien who was ordered removed in absentia if such order was rescinded under section 240(b)(5)(C) of the Immigration and Nationality Act.

SEC. 70022. CUSTOMS AND BORDER PROTECTION INADMISSIBLE ALIEN APPREHENSION FEE.

(a) FEE IMPOSED.—In addition to any other fee authorized by law, for any inadmissible alien who is apprehended between ports of entry by U.S. Customs and Border Protection, the Secretary of Homeland Security shall impose a fee in an amount specified in subsection (b) at the time of such apprehension.

(b) FEE SPECIFIED.—

(1) INITIAL AMOUNT.—The amount specified in this subsection for fiscal year 2025 shall be such amount as the Secretary may by rule provide, but in any event not less than $5,000.

(2) SUBSEQUENT ADJUSTMENT.—Beginning in fiscal year 2026 and each fiscal year thereafter, the amount specified in this subsection for a fiscal year shall be equal to the sum of—

(A) the amount imposed under this subsection for the prior fiscal year; and

(B) rounded to the next lowest multiple of $10, the amount referred to in subparagraph (A), multiplied by the percentage (if any) by which the Consumer Price Index for All Urban Consumers for the month of July preceding the date on which such adjustment takes effect exceeds the Consumer Price Index for All Urban Consumers for the same month of the preceding calendar year.

(c) CREDITING OF FUNDS.—The fees received under this section shall be credited as offsetting receipts and deposited into the general fund of the Treasury.

(d) NO WAIVER.—A fee imposed under this section shall not be waived or reduced.

SEC. 70023. AMENDMENT TO AUTHORITY TO APPLY FOR ASYLUM.

Section 208(d)(3) of the Immigration and Nationality Act (8 U.S.C. 1158(d)(3)) is amended—

(1) in the first sentence, by striking "may" and inserting "shall";

(2) by striking "Such fees shall not exceed" and all that follows; and

(3) by inserting after the first sentence "Nothing in this paragraph shall be construed to limit the authority of the Attorney General to set additional adjudication and naturalization fees in accordance with section 286(m).".

PART 2—USE OF FUNDS

SEC. 70100. EXECUTIVE OFFICE FOR IMMIGRATION REVIEW.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Executive Office for Immigration Review for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $1,250,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for purposes of—

(1) hiring the support staff necessary to support immigration judges;

(2) hiring immigration judges; and

(3) expanding courtroom capacity and infrastructure.

SEC. 70101. ADULT ALIEN DETENTION CAPACITY AND FAMILY RESIDENTIAL CENTERS.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $45,000,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for family residential center capacity and single adult alien detention capacity.

(c) DURATION.—The Department of Homeland Security may detain family units of aliens at family residential centers, as described in subsections (b) and (d), pending a decision on whether the aliens are to be removed from the United States and, if such aliens are ordered removed from the United States, until such aliens are removed.

(d) FAMILY RESIDENTIAL CENTER DEFINED.—In this section, the term "family residential center" means a facility used by the Department of Homeland Security to detain family units of aliens (including alien children who are not unaccompanied alien children) who are encountered or apprehended by the Department of Homeland Security, regardless of whether the facility is licensed by the State or a political subdivision of the State in which the facility is located.

(e) DETENTION STANDARDS.—To efficiently utilize the funding appropriated by this section, the detention standards for the single adult detention capacity described in subsection (b) shall be set in the sole discretion of the Secretary of Homeland Security.

SEC. 70102. RETENTION AND SIGNING BONUSES FOR U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT PERSONNEL.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $858,000,000 to remain available until September 30, 2029, for the purposes described in subsections (b) and (c).

(b) RETENTION BONUSES.—U.S. Immigration and Customs Enforcement may provide retention bonuses to any U.S. Immigration and Customs Enforcement agent, officer, or attorney who commits to two years of additional service with U.S. Immigration and Customs Enforcement to carry out immigration enforcement.

(c) SIGNING BONUSES.—U.S. Immigration and Customs Enforcement shall provide a signing bonus to each U.S. Immigration and Customs Enforcement agent, officer, or attorney who is hired on or after the date of enactment of this Act and who commits to five years of service with U.S. Immigration and Customs Enforcement to carry out immigration enforcement.

(d) RULES FOR BONUSES.—U.S. Customs and Immigration Enforcement shall provide qualifying individuals with written service agreements that include—

(1) the commencement and termination dates of the required service period (or provisions for the determination thereof);

(2) the amount of the bonus; and

(3) other terms and conditions under which the bonus is payable, subject to the requirements of this subsection, including—

(A) the conditions under which the agreement may be terminated before the agreed-upon service period has been completed; and

(B) the effect of a termination described in subparagraph (A).

SEC. 70103. HIRING OF ADDITIONAL U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT PERSONNEL.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $8,000,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used to hire additional personnel of U.S. Immigration and Customs Enforcement, including officers, agents, and support staff, to carry out immigration enforcement, and to prioritize and streamline the hiring of retired U.S. Immigration and Customs Enforcement personnel. There shall be a minimum of—

(1) 2,500 individuals hired in fiscal year 2025;

(2) 1,875 individuals hired in 2026;

(3) 1,875 individuals hired in 2027;

(4) 1,875 individuals hired in 2028; and

(5) 1,875 individuals hired in 2029.

SEC. 70104. U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT HIRING CAPABILITY.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforce-

ment for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $600,000,000, to remain available until September 30, 2029, for the purpose described in subsection (b).

(b) USE OF FUNDS.—The funds made available under subsection (a) shall only be used for the purpose of facilitating the recruitment, hiring, and onboarding of additional U.S. Immigration and Customs Enforcement personnel to carry out immigration enforcement, including by investments in information technology, recruitment, marketing, and staff necessary for such activities.

SEC. 70105. TRANSPORTATION AND REMOVAL OPERATIONS.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $14,400,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for transportation and removal operations, including transportation of unaccompanied alien children, and for ensuring the departure of aliens.

SEC. 70106. INFORMATION TECHNOLOGY INVESTMENTS.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $700,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for U.S. Immigration and Customs Enforcement information technology investments to support enforcement and removal operations, including to streamline fine and penalty collections.

SEC. 70107. FACILITIES UPGRADES.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $550,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for U.S. Immigration and Customs Enforcement facility upgrades to support enforcement and removal operations.

SEC. 70108. FLEET MODERNIZATION.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $250,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for U.S. Immigration and Customs Enforcement fleet modernization to support enforcement and removal operations.

SEC. 70109. PROMOTING FAMILY UNITY.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $20,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—The funds made available under subsection (a) shall only be used to—

(1) maintain the care and custody, during the period in which the charges described in subparagraph (A) are pending, of an alien who—

(A) is charged only with a misdemeanor offense under section 275(a) of the Immigration and Nationality Act (8 U.S.C. 1325(a)); and

(B) entered the United States with the alien's child who has not attained 18 years of age; and

(2) detain the alien with the alien's child.

SEC. 70110. FUNDING SECTION 287(G) OF THE IMMIGRATION AND NATIONALITY ACT.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $650,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—The amounts made available under subsection (a) shall only be used for purposes of facilitating and implementing agreements under section 287(g) of the Immigration and Nationality Act (8 U.S.C. 1357(g)).

SEC. 70111. COMPENSATION FOR INCARCERATION OF CRIMINAL ALIENS.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Department of Justice for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $950,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—The amounts made available under subsection (a) shall only be used to compensate a State or political subdivision of a State, as may be appropriate, with respect to the incarceration of any alien who—

(1) has been convicted of a felony or two or more misdemeanors; and

(2)(A) entered the United States without inspection or at any time or place other than as designated by the Secretary of Homeland Security;

(B) was the subject of removal proceedings at the time he or she was taken into custody by the State or a political subdivision of the State; or

(C) was admitted as a nonimmigrant and, at the time he or she was taken into custody by the State or a political subdivision of the State, has failed to maintain the nonimmigrant status in which the alien was admitted, or to which it was changed, or to comply with the conditions of any such status.

(c) LIMITATION.—The amounts made available under subsection (a) shall not be used to compensate any State or political subdivi-

sion of the State if the State or political subdivision of the State prohibits or in any way restricts a Federal, State, or local government entity, official, or other personnel from any of the following:

(1) Complying with the immigration laws (as defined in section 101(a)(17) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(17)).

(2) Assisting or cooperating with Federal law enforcement entities, officials, or other personnel regarding the enforcement of the immigration laws.

(3) Undertaking any one of the following law enforcement activities as they relate to information regarding the citizenship or immigration status, lawful or unlawful, the inadmissibility or deportability, and the custody status, of any individual:

(A) Making inquiries to any individual to obtain such information regarding such individual or any other individuals.

(B) Notifying the Federal Government regarding the presence of individuals who are encountered by law enforcement officials or other personnel of a State or political subdivision of a State.

(C) Complying with requests for such information from Federal law enforcement entities, officials, or other personnel.

SEC. 70112. OFFICE OF THE PRINCIPAL LEGAL ADVISOR.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $1,320,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for purposes of hiring additional support staff and attorneys within the Office of the Principal Legal Advisor to represent the Department of Homeland Security in removal proceedings.

SEC. 70113. RETURN OF ALIENS ARRIVING FROM CONTIGUOUS TERRITORY.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Department of Homeland Security for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $500,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—The funds made available under subsection (a) shall only be used for purposes of return of aliens under section 235(b)(2)(C) of the Immigration and Nationality Act (8 U.S.C. 1225(b)(2)(C)).

SEC. 70114. STATE AND LOCAL PARTICIPATION IN HOMELAND SECURITY EFFORTS.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Immigration and Customs Enforcement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $787,000,000, to remain available until September 30, 2029, for the purpose described in subsection (b).

(b) USE OF FUNDS.—The funds made available under subsection (a) shall only be used for the purpose of ending the presence of criminal gangs and transnational criminal organizations throughout the United States, combating human smuggling and trafficking networks, supporting immigration enforcement activities, and providing reimbursement for State and local participation in such efforts.

SEC. 70115. UNACCOMPANIED ALIEN CHILDREN CAPACITY.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Office of Refugee Resettlement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $3,000,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—The funds made available under subsection (a) shall only be used for the Office of Refugee Resettlement to house, transport, and supervise unaccompanied alien children in the custody of the Office of Refugee Resettlement pursuant to section 235 of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008.

SEC. 70116. DEPARTMENT OF HOMELAND SECURITY CRIMINAL AND GANG CHECKS FOR UNACCOMPANIED ALIEN CHILDREN.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to U.S. Customs and Border Protection for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $20,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—In the case of an unaccompanied alien child who has attained 12 years of age and is encountered by U.S. Customs and Border Protection, the funds made available under subsection (a) shall only be used to—

(1) contact the consulate or embassy of the country of nationality or last habitual residence of such unaccompanied alien child to request such unaccompanied alien child's criminal record; and

(2) conduct an examination of such unaccompanied alien child for gang-related tattoos and other gang-related markings,

(c) UNACCOMPANIED ALIEN CHILD DEFINED.—In this section, the term "unaccompanied alien child" shall have the meaning given such term in section 462(g) of the Homeland Security Act of 2002.

SEC. 70117. DEPARTMENT OF HEALTH AND HUMAN SERVICES CRIMINAL AND GANG CHECKS FOR UNACCOMPANIED ALIEN CHILDREN.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Office of Refugee Resettlement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $20,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—In the case of each unaccompanied alien child who has attained 12 years of age, the funds made available under subsection (a) shall only be used for the purpose of making a determination pursuant to section 235(c)(2)(A) of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 about whether an unaccompanied alien child poses a danger

to self or others or has been charged with having committed a criminal offense, to—

(1) contact the consulate or embassy of such unaccompanied alien child's country of nationality or last habitual residence to request such unaccompanied alien child's criminal record; and

(2) conduct an examination of the unaccompanied alien child for gang-related tattoos and other gang-related markings.

(c) UNACCOMPANIED ALIEN CHILD DEFINED.—In this section, the term "unaccompanied alien child" shall have the meaning given such term in section 462(g) of the Homeland Security Act of 2002.

SEC. 70118. INFORMATION ABOUT SPONSORS AND ADULT RESIDENTS OF SPONSOR HOUSEHOLDS.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Office of Refugee Resettlement for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $50,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) INFORMATION ABOUT INDIVIDUALS WITH WHOM UNACCOMPANIED ALIEN CHILDREN ARE PLACED AND RESIDE.—Before placing an unaccompanied alien child with an individual pursuant to section 235(c) of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008, the Secretary of Health and Human Services shall provide to the Secretary of Homeland Security, regarding the individual with whom the child will be placed and all adult residents of the individual's household, information on—

(1) the name of the individual and all adult residents of the individual's household;

(2) the social security number of the individual and all adult residents of the individual's household;

(3) the date of birth of the individual and all adult residents of the individual's household;

(4) the validated location of the individual's residence where the child will be placed;

(5) the immigration status of the individual and all adult residents of the individual's household;

(6) contact information for the individual and all adult residents of the individual's household; and

(7) the results of all background and criminal records checks for the individual and all adult residents of the individual's household, which shall include at a minimum an investigation of the public records sex offender registry, a public records background check, and a national criminal history check based on fingerprints.

(c) UNACCOMPANIED ALIEN CHILD DEFINED.—In this section, the term "unaccompanied alien child" shall have the meaning given such term in section 462(g) of the Homeland Security Act of 2002.

SEC. 70119. REPATRIATION OF UNACCOMPANIED ALIEN CHILDREN.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Department of Homeland Security for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $100,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Notwithstanding any other provision of law, the funds made available under subsection (a) shall only be used to permit a specified unaccompanied alien child to withdraw the child's application for admission pursuant to section 235(a)(4) of the Immigration and Nationality Act and return such child to the child's country of nationality or country of last habitual residence.

(c) DEFINITIONS.—In this section—

(1) SPECIFIED UNACCOMPANIED ALIEN CHILD.—The term "specified unaccompanied alien child" means an unaccompanied alien child (as defined in section 462(g) of the Homeland Security Act of 2002) who the Secretary of Homeland Security determines on a case-by-case basis—

(A) has been found by an immigration officer at a land border or port of entry of the United States and is inadmissible under the Immigration and Nationality Act;

(B) has not been a victim of severe forms of trafficking in persons, and there is no credible evidence that such child is at risk of being trafficked upon return to the child's country of nationality or of last habitual residence; and

(C) does not have a fear of returning to the child's country of nationality or of last habitual residence owing to a credible fear of persecution.

(2) SEVERE FORMS OF TRAFFICKING IN PERSONS.—The term "severe forms of trafficking in persons" shall have the meaning given such term in section 103 of the Trafficking Victims Protection Act of 2000.

SEC. 70120. UNITED STATES SECRET SERVICE.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Director of the United States Secret Service for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $1,170,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for additional United States Secret Service resources, including personnel, training facilities, and technology.

SEC. 70121. COMBATING DRUG TRAFFICKING AND ILLEGAL DRUG USE.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Department of Justice for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $500,000,000 to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used for efforts to combat drug trafficking, including of fentanyl and its precursor chemicals, and illegal drug use.

SEC. 70122. INVESTIGATING AND PROSECUTING IMMIGRATION RELATED MATTERS.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Department of Justice for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $600,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—Amounts made available under subsection (a) shall only be used to investigate and prosecute immigration matters, gang-related crimes involving aliens, child trafficking and smuggling involving aliens, voting by aliens, violations of the Alien Registration Act, and violations of or fraud relating to title IV of the Personal Responsibility and Work Opportunity Act of 1996, including through hiring Department of Justice personnel to investigate and prosecute such matters.

SEC. 70123. EXPEDITED REMOVAL FOR CRIMINAL ALIENS.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Department of Homeland Security for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $75,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—The amounts made available in subsection (a) shall only be used for applying the provisions of section 235(b)(1) of the Immigration and Nationality Act to any alien who is inadmissible under paragraph (2) or (3) of section 212(a) of the Immigration and Nationality Act, regardless of the period that such alien has been physically present in the United States.

SEC. 70124. REMOVAL OF CERTAIN CRIMINAL ALIENS WITHOUT FURTHER HEARING.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Department of Homeland Security for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $25,000,000, to remain available until September 30, 2029, for the purposes described in subsection (b).

(b) USE OF FUNDS.—The amounts made available in subsection (a) shall only be used for applying the provisions of section 235(c) of the Immigration and Nationality Act to any arriving alien that an immigration officer or an immigration judge suspects may be inadmissible under paragraph (2) or (3) of section 212(a) of the Immigration and Nationality Act.

Subtitle B—Regulatory Matters

SEC. 70200. REVIEW OF AGENCY RULEMAKING.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated:

(1) To the Director of the Office of Management and Budget for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $10,000,000, to remain available through September 30, 2034, to carry out this section and the amendments made by this section.

(2) To the Comptroller General of the United States for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $10,000,000, to remain available through September 30, 2034, to carry out this section and the amendments made by this section.

(b) USE OF FUNDS.—

(1) OFFICE OF MANAGEMENT AND BUDGET.—The Director of the Office of Management and Budget shall use amounts made

available under subsection (a)(1) to pay expenses associated with implementing the requirements of subsections (c) and (d).

(2) COMPTROLLER GENERAL.—The Comptroller General of the United States shall use amounts made available under subsection (a)(2) to pay expenses associated with implementing the requirements of subsection (e).

(c) CONGRESSIONAL REVIEW OF AGENCY RULEMAKING.—

(1) Chapter 8 of title 5, United States Code, is amended by inserting at the end the following:

"§ 809. Additional reporting requirements

"(a) AGENCY REPORTS.—In the case of any rule for which a report is submitted under section 801(a)(1)(A) the agency shall also include in such report—

"(1) an estimate of the budgetary effects associated with the enactment and enforcement of the rule;

"(2) an analysis of the direct and reasonably foreseeable indirect costs associated with the rule;

"(3) an analysis of any jobs added or lost within each affected industry, as identified by North American Industrial Classification System code, differentiating between public and private sector jobs, as a direct or indirect result of the rule;

"(4) a determination, by the Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget, of whether the rule is a major or nonmajor rule, including an explanation of the finding specifically addressing each criteria for a major rule contained within subparagraphs (A) through (C) of section 804(2);

"(5) a list of information on which the rule is based, including data, scientific and economic studies, and cost-benefit analyses;

"(6) a list of any other related regulatory actions that implement the same statutory provision or regulatory objective as well as the estimated economic effects of those actions;

"(7) an estimate of the effect on inflation of the rule; and

"(8) a statement of the constitutional authority authorizing the agency to make the rule.

"(b) COMPTROLLER GENERAL REPORTS.—If requested in writing by a Member of Congress—

"(1) the Comptroller General of the United States shall make a determination whether an agency action qualifies as a rule for purposes of this chapter, and shall submit to Congress this determination not later than 60 days after the date of the request; and

"(2) the Comptroller General shall make a determination whether a rule is considered a major rule for purposes of this chapter, and shall submit to Congress this determination not later than 90 days after the date of the request.

"(c) DETERMINATION.—For purposes of this section, a determination under this subsection (b) shall be deemed to be a report under section 801(a)(1)(A).

"§ 810. Approval of certain major rules

"(a) APPROVAL REQUIRED.—Notwithstanding any other provision of this chapter, a major rule that increases revenues, as determined in section 809(a), shall not take effect unless Congress enacts a joint resolution of approval described in subsection (c).

"(b) EFFECT.—If a joint resolution of approval relating to a major rule that increases revenue is not enacted into law by the end of 60 session days or legislative days, as applicable, beginning on the date on which the report referred to in section 801(a)(1)(A) is received by Congress (excluding days either House of Congress is adjourned for more than 3 days during a session of Congress), then the rule described in that resolution shall be deemed not to be approved and such rule shall not take effect.

"(c) RESOLUTION OF APPROVAL.—Section 802 shall apply to a joint resolution of approval under this section to the same extent as it does to a joint resolution of disapproval, except that the matter after the resolving clause of a joint resolution of approval shall be as follows: 'That Congress approves the rule submitted by the _____ relating to _____.' (The blank spaces being appropriately filled in).

"(d) RULEMAKING AUTHORITY.—The enactment of a joint resolution of approval under this section shall not be interpreted to serve as a grant or modification of statutory authority by Congress for the promulgation of a rule, shall not extinguish or affect any claim, whether substantive or procedural, against any alleged defect in a rule or the rulemaking process, and shall not form part of the record before the court in any judicial proceeding concerning a rule except for purposes of determining whether or not the rule is in effect.

"(e) JUDICIAL REVIEW.—Notwithstanding section 805, a court may determine whether a Federal agency has completed the necessary requirements under this chapter for a rule to take effect.

"§ 811. Additional review of rules

"(a) ADDITIONAL REVIEW.—In addition to the opportunity for review otherwise provided under this chapter, notwithstanding any other provision under this chapter, in the case of any rule for which a report is submitted under section 801(a)(1)(A) which increases revenue as determined under section 809(a) and which was submitted during the final year of a President's term, the procedures described in section 802 shall apply to such rule in the succeeding session of Congress, and a joint resolution may contain one or more such rules.

"(b) RESOLUTION OF DISAPPROVAL.—In the case of such a resolution containing one or more such rules under this section, the matter after the resolving clause shall be as follows: 'That Congress disapproves the following rules: the rule submitted by the ____ relating to ____; and the rule submitted by the ____ relating to ____. Such rules shall have no force or effect.' (The blank spaces being appropriately filled in and additional clauses describing additional rules to be included as necessary).

"§ 812. Review of rules currently in effect

"(a) ANNUAL REVIEW.—Beginning on the date that is 6 months after the date of enactment of this section and annually thereafter for the 4 years following, each agency shall designate not less than 20 percent of eligible rules made by that agency for review, and shall submit a report including each such eligible rule in the same manner as a report under section 801(a)(1). Sections 801, 802, 809, 810, and 811 shall apply to each such rule, subject to subsection (c) of this section. No eligible rule previously designated may be designated again.

"(b) SUNSET FOR ELIGIBLE RULES NOT EXTENDED.—Beginning after the date that is 5 years after the date of enactment of this section, if Congress has not enacted a joint resolution of approval for that eligible rule, that eligible rule shall not continue in effect.

"(c) APPROVAL OF RULES.—

"(1) Unless Congress approves all eligible rules designated by executive agencies for review within 90 days after designation, they shall have no effect and the Federal agency which originally promulgated such rules may not enforce such rules.

"(2) A single joint resolution of approval shall apply to all eligible rules in a report designated for a year as follows: 'That Congress approves the rules submitted by the_____ for the year _____.' (The blank spaces being appropriately filled in).

"(d) DEFINITION.—In this section the term 'eligible rule' means a rule that is in effect as of the date of enactment of this section.".

(2) The table of chapters for chapter 8 of title 5, United States Code, is amended by inserting after the item relating to section 808 the following:

"809. Additional reporting requirements.
"810. Approval of certain major rules.
"811. Additional review of rules.
"812. Review of rules currently in effect.".

(d) TECHNICAL AND CONFORMING AMENDMENTS.—Chapter 8 of title 5, United States Code, is amended—

(1) in section 801(a)(3)—

(A) in subparagraph (B)(ii), by striking "or" at the end;

(B) in subparagraph (C), by striking the period at the end and inserting "; or"; and

(C) by inserting at the end the following:

"(D) in the case of a major rule that increases revenue, such rule shall not take effect unless Congress passes a joint resolution of approval described in section 810."; and

(2) in section 804, by amending paragraph (3) to read as follows:

"(3) The term 'rule' has the meaning given such term in section 551, except that such term—

"(A) includes interpretative rules, general statements of policy, and all other agency guidance documents; and

"(B) does not include—

"(i) any rule of particular applicability, including a rule that approves or prescribes for the future rates, wages, prices, services, or allowances therefore, corporate or financial structures, reorganizations, merg-

ers, or acquisitions thereof, or accounting practices or disclosures bearing on any of the foregoing;

"(ii) any rule relating to agency management or personnel; or

"(iii) any rule of agency organization, procedure, or practice that does not substantially affect the rights or obligations of nonagency parties.".

(e) GOVERNMENT ACCOUNTABILITY OFFICE STUDY OF RULES.—

(1) IN GENERAL.—The Comptroller General of the United States shall conduct a study to determine, as of the date of the enactment of this section—

(A) how many rules (as such term is defined in section 804 of title 5, United States Code) were in effect;

(B) how many major rules (as such term is defined in section 804 of title 5, United States Code) were in effect; and

(C) the total estimated economic cost imposed by all such rules.

(2) REPORT.—Not later than 1 year after the date of the enactment of this section, the Comptroller General of the United States shall submit a report (and publish the report on the website of the Comptroller General) to Congress that contains the findings of the study conducted under subsection (e).

SEC. 70201. CONGRESSIONAL REVIEW ACT COMPLIANCE.

(a) APPROPRIATION.—In addition to amounts otherwise available, there is appropriated to the Director of the Office of Management and Budget for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $10,000,000, to remain available through September 30, 2034, to carry out this section.

(b) ANALYSIS.—The Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget shall use amounts appropriated under this section to conduct de novo analysis of the direct and reasonably foreseeable indirect costs of compliance associated with rules submitted under section 801(a)(1)(A) of title 5, United States Code. The Administrator shall use such analysis as the basis for determining whether a rule is a major rule and publish each such analysis to the regulatory review database of the Office of Information and Regulatory Affairs prior to transmission of such rule to each House of the Congress and the Comptroller General of the United States. The Administrator shall also publish an estimate of the budgetary effects associated with the promulgation and enforcement of such rules prior to transmission.

Subtitle C—Other Matters

SEC. 70300. LIMITATION ON DONATIONS MADE PURSUANT TO SETTLEMENT AGREEMENTS TO WHICH THE UNITED STATES IS A PARTY.

(a) LIMITATION ON REQUIRED DONATIONS.—An official or agent of the Government may not enter into or enforce any settlement agreement on behalf of the United States directing or providing for a payment to any person or entity other than the United States,

other than a payment that provides restitution for or otherwise directly remedies actual harm (including to the environment) directly and proximately caused by the party making the payment, or constitutes payment for services rendered in connection with the case.

(b) PENALTY.—Any official or agent of the Government who violates subsection (a) shall be subject to the same penalties that would apply in the case of a violation of section 3302 of title 31, United States Code.

(c) EFFECTIVE DATE.—Subsections (a) and (b) apply only in the case of a settlement agreement entered on or after the date of enactment of this Act.

(d) DEFINITION.—The term "settlement agreement" means a settlement agreement resolving a civil action or potential civil action.

(e) ANNUAL AUDIT REQUIREMENT.—

(1) IN GENERAL.—Not later than at the end of the first fiscal year that begins after the date of enactment of this Act, and annually thereafter, the Inspector General of each Federal agency shall submit, and make available on a publicly accessible website, a report on any settlement agreement entered into in violation of this section by that agency to—

(A) the Committee on the Judiciary of the Senate; and

(B) the Committee on the Judiciary of the House of Representatives.

(2) PROHIBITION ON ADDITIONAL FUNDING.—No additional funds are authorized to be appropriated to carry out this subsection.

SEC. 70301. SOLICITATION OF ORDERS DEFINED.

Section 101(d) of Public Law 86—272 (73 Stat. 555) is amended—

(1) in paragraph (1) by striking "and" at the end,

(2) in paragraph (2) by striking the period at the end and inserting "; and", and

(3) by adding at the end the following:

"(3) the term 'solicitation of orders' means any business activity that facilitates the solicitation of orders even if that activity may also serve some independently valuable business function apart from solicitation.".

SEC. 70302. RESTRICTION OF FUNDS.

No court of the United States may use appropriated funds to enforce a contempt citation for failure to comply with an injunction or temporary restraining order if no security was given when the injunction or order was issued pursuant to Federal Rule of Civil Procedure 65(c), whether issued prior to, on, or subsequent to the date of enactment of this section.

TITLE VIII—COMMITTEE ON NATURAL RESOURCES

Subtitle A—Energy and Mineral Resources

PART I—OIL AND GAS

SEC. 80101. ONSHORE OIL AND GAS LEASE SALES.

(a) REQUIREMENT TO IMMEDIATELY RESUME ONSHORE OIL AND GAS LEASE SALES.—

(1) IN GENERAL.—The Secretary of the Interior shall immediately resume quarterly onshore oil and gas lease sales in compliance with the Mineral Leasing Act.

(2) REQUIREMENT.—The Secretary of the Interior shall ensure—

(A) that any oil and gas lease sale pursuant to paragraph (1) is conducted immediately on completion of all requirements under the Mineral Leasing Act; and

(B) that the processes described in subparagraph (A) are conducted in a timely manner to ensure compliance with subsection (b)(1).

(3) LEASE OF OIL AND GAS LANDS.—Section 17(b)(1)(A) of the Mineral Leasing Act (30 U.S.C. 226(b)(1)(A)) is amended by inserting "Eligible lands comprise all lands subject to leasing under this Act and not excluded from leasing by a statutory or regulatory prohibition. Land shall be considered available under the preceding sentence if the land has been designated as open for leasing under a land use plan developed or revised under section 202 of the Federal Land Policy and Management Act of 1976 and has been nominated for leasing through the submission of an expression of interest, is subject to drainage (as described in subsection (j)) in the absence of leasing, or is otherwise designated as available pursuant to regulations issued by the Secretary." after "sales are necessary.".

(b) QUARTERLY LEASE SALES.—

(1) IN GENERAL.—In accordance with the Mineral Leasing Act, each fiscal year, the Secretary of the Interior shall conduct a minimum of four oil and gas lease sales in each of the following States:

(A) Wyoming.
(B) New Mexico.
(C) Colorado.
(D) Utah.
(E) Montana.
(F) North Dakota.
(G) Oklahoma.
(H) Nevada.
(I) Alaska.
(J) Any other State in which there is land available for oil and gas leasing under the Mineral Leasing Act or any other mineral leasing law.

(2) REQUIREMENT.—In conducting a lease sale under paragraph (1) in a State described in that paragraph, the Secretary of the Interior shall offer not less than 50 percent of all parcels nominated that are available and eligible pursuant to the requirements of the Mineral Leasing Act.

(3) REPLACEMENT SALES.—The Secretary of the Interior shall conduct a replacement sale during the same fiscal year if—

(A) a lease sale under paragraph (1) is canceled, delayed, or deferred, including for a lack of eligible parcels; or

(B) during a lease sale under paragraph (1) the percentage of acreage that does not receive a bid is equal to or greater than 25 percent of the acreage offered.

(c) LEASING OF OIL AND GAS.—Section 17 of the Mineral Leasing Act (30 U.S.C. 226) is amended—

(1) by striking the section designation and all that follows through the end of subsection (a) and inserting the following:

"SEC. 17. LEASING OF OIL AND GAS.

"(a) LEASING.—

"(1) IN GENERAL.—Not later than 18 months after the date of receipt by the Secretary of an expression of interest in leasing land that is subject to disposition under this Act and is known or believed to contain oil or gas deposits, the Secretary shall, subject to paragraph (2), offer such land for oil and gas leasing if the Secretary determines that the land is open to oil or gas leasing under a land use plan developed or revised under section 202 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1712) and such land use plan—

"(A) applies to the planning area in which the land is located; and

"(B) is in effect on the date on which the expression of interest was submitted to the Secretary.

"(2) LAND USE PLANS.—

"(A) LEASE TERMS AND CONDITIONS.—A lease issued by the Secretary under this section—

"(i) shall include any terms and conditions of the land use plan that apply to the area of the lease; and

"(ii) shall not require any stipulations or mitigation requirements not included in such land use plan.

"(B) EFFECT OF REVISIONS.—The revision of a land use plan shall not prevent or delay the Secretary from offering land for leasing under this section if the other requirements of this section have been met, as determined by the Secretary.";

(2) in subsection (p)—

(A) in paragraph (1), by inserting "conduct a complete review of the application with all applicable agency staff required for the Secretary to determine the application is complete and" after "drill, the Secretary shall"; and

(B) by adding at the end the following:

"(4) TERM.—A permit to drill approved under this subsection shall be valid for a single, nonrenewable 4-year period beginning on the date that the permit to drill is approved.

"(5) EFFECT OF PENDING CIVIL ACTION ON PROCESSING APPLICATIONS FOR PERMITS TO DRILL.—Pursuant to the requirements

of paragraph (2), notwithstanding the existence of any pending civil actions affecting the application or a related lease issued under this Act, the Secretary shall process an application for a permit to drill or other authorizations or approvals under a lease issued under this Act.''; and

(3) by striking subsection (q) and inserting the following:

''(q) OTHER REQUIREMENTS.—In utilizing the authorities provided by section 390 of the Energy Policy Act of 2005 with respect to an activity conducted pursuant to this Act, the Secretary of the Interior shall not consider whether there are any extraordinary circumstances.''.

SEC. 80102. NONCOMPETITIVE LEASING.

(a) NONCOMPETITIVE LEASING.—Section 17 of the Mineral Leasing Act (30 U.S.C. 226) is further amended—

(1) in subsection (b)—

(A) in paragraph (1)(A)—

(i) in the first sentence, by striking ''paragraph (2)'' and inserting ''paragraph (2) or (3)''; and

(ii) by adding at the end ''Lands for which no bids are received or for which the highest bid is less than the national minimum acceptable bid shall be offered promptly within 30 days for leasing under subsection (c) of this section and shall remain available for leasing for a period of 2 years after the competitive lease sale.''; and

(B) by adding at the end the following:

''(3)(A) If the United States held a vested future interest in a mineral estate that, immediately prior to becoming a vested present interest, was subject to a lease under which oil or gas was being produced, or had a well capable of producing, in paying quantities at an annual average production volume per well per day of either not more than 15 barrels per day of oil or condensate, or not more than 60,000 cubic feet of gas, the holder of the lease may elect to continue the lease as a noncompetitive lease under subsection (c)(1).

''(B) An election under this paragraph is effective—

''(i) in the case of an interest which vested after January 1, 1990, and on or before October 24, 1992, if the election is made before the date that is 1 year after October 24, 1992;

''(ii) in the case of an interest which vests within 1 year after October 24, 1992, if the election is made before the date that is 2 years after October 24, 1992; and

''(iii) in any case other than those described in clause (i) or (ii), if the election is made prior to the interest becoming a vested present interest.'';

(2) by striking subsection (c) and inserting the following:

''(c) LANDS SUBJECT TO LEASING UNDER SUBSECTION (B); FIRST QUALIFIED APPLICANT.—

''(1) If the lands to be leased are not leased under subsection (b)(1) of this section or are not subject to competitive leasing under subsection (b)(2) of this section, the person first making application for the lease who is qualified to hold a lease under this chapter shall be entitled to a lease of such lands without competitive bidding, upon payment of a nonrefundable applica-

tion fee of at least $75. A lease under this subsection shall be conditioned upon the payment of a royalty at a rate of 12.5 percent in amount or value of the production removed or sold from the lease. Leases shall be issued within 60 days of the date on which the Secretary identifies the first responsible qualified applicant.

"(2)(A) Lands (i) which were posted for sale under subsection (b)(1) of this section but for which no bids were received or for which the highest bid was less than the national minimum acceptable bid and (ii) for which, at the end of the period referred to in subsection (b)(1) of this section no lease has been issued and no lease application is pending under paragraph (1) of this subsection, shall again be available for leasing only in accordance with subsection (b)(1) of this section.

"(B) The land in any lease which is issued under paragraph (1) of this subsection or under subsection (b)(1) of this section which lease terminates, expires, is cancelled or is relinquished shall again be available for leasing only in accordance with subsection (b)(1) of this section."; and

(3) by striking subsection (e) and inserting the following:

"(e) PRIMARY TERM.—Competitive and noncompetitive leases issued under this section shall be for a primary term of 10 years: *Provided*, *however*, That competitive leases issued in special tar sand areas shall also be for a primary term of 10 years. Each such lease shall continue so long after its primary term as oil or gas is produced in paying quantities. Any lease issued under this section for land on which, or for which under an approved cooperative or unit plan of development or operation, actual drilling operations were commenced prior to the end of its primary term and are being diligently prosecuted at that time shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities.".

(b) FAILURE TO COMPLY WITH PROVISIONS OF LEASE.—Section 31 of the Mineral Leasing Act (30 U.S.C. 188) is amended—

(1) in subsection (d)(1), by striking "section 17(b)" and inserting "subsection (b) or (c) of section 17 of this Act";

(2) in subsection (e)—

(A) in paragraph (2)—

(i) by inserting "either" after "rentals and"; and

(ii) by inserting "or the inclusion in a reinstated lease issued pursuant to the provisions of section 17(c) of this Act of a requirement that future rentals shall be at a rate not less than $5 per acre per year, all" before "as determined by the Secretary"; and

(B) by amending paragraph (3) to read as follows:

"(3)(A) payment of back royalties and the inclusion in a reinstated lease issued pursuant to the provisions of section 17(b) of this Act of a requirement for future royalties at a rate of not less than 16⅔ percent computed on a sliding scale based upon the average production per well per day, at a rate which shall be not less than 4 percentage points greater than the competitive royalty schedule then in force and used for royalty determination for competitive leases issued pursuant to such section as determined by the Secretary: *Provided*, That royalty on such

reinstated lease shall be paid on all production removed or sold from such lease subsequent to the termination of the original lease;

"(B) payment of back royalties and inclusion in a reinstated lease issued pursuant to the provisions of section 17(c) of this Act of a requirement for future royalties at a rate not less than 16⅔ percent: *Provided*, That royalty on such reinstated lease shall be paid on all production removed or sold from such lease subsequent to the cancellation or termination of the original lease; and";

(3) in subsection (f)—

(A) in paragraph (1), by striking "in the same manner as the original lease issued pursuant to section 17" and inserting "as a competitive or a noncompetitive oil and gas lease in the same manner as the original lease issued pursuant to subsection (b) or (c) of section 17 of this Act";

(B) by adding at the end the following:

"(4) Except as otherwise provided in this section, the issuance of a lease in lieu of an abandoned patented oil placer mining claim shall be treated as a noncompetitive oil and gas lease issued pursuant to section 17(c) of this Act.";

(4) in subsection (g), by striking "subsection (d)" and inserting "subsections (d) and (j)";

(5) by amending subsection (h) to read as follows:

"(h) ROYALTY REDUCTIONS.—

"(1) In acting on a petition to issue a noncompetitive oil and gas lease, under subsection (j) of this section or in response to a request filed after issuance of such a lease, or both, the Secretary is authorized to reduce the royalty on such lease if in his judgment it is equitable to do so or the circumstances warrant such relief due to uneconomic or other circumstances which could cause undue hardship or premature termination of production.

"(2) In acting on a petition for reinstatement pursuant to subsection (d) of this section or in response to a request filed after reinstatement, or both, the Secretary is authorized to reduce the royalty in that reinstated lease on the entire leasehold or any tract or portion thereof segregated for royalty purposes if, in his judgment, there are uneconomic or other circumstances which could cause undue hardship or premature termination of production; or because of any written action of the United States, its agents or employees, which preceded, and was a major consideration in, the lessee's expenditure of funds to develop the property under the lease after the rent had become due and had not been paid; or if in the judgment of the Secretary it is equitable to do so for any reason."; and

(6) by adding at the end the following:

"(j) ISSUANCE OF NONCOMPETITIVE OIL AND GAS LEASE; CONDITIONS.—Where an unpatented oil placer mining claim validly located prior to February 24, 1920, which has been or is currently producing or is capable of producing oil or gas, has been or is hereafter deemed conclusively abandoned for failure to file timely the required instruments or copies of instruments required by section 1744 of title 43, and it is shown to the satisfaction of the Secretary

that such failure was inadvertent, justifiable, or not due to lack of reasonable diligence on the part of the owner, the Secretary may issue, for the lands covered by the abandoned unpatented oil placer mining claim, a noncompetitive oil and gas lease, consistent with the provisions of section 17(e) of this Act, to be effective from the statutory date the claim was deemed conclusively abandoned. Issuance of such a lease shall be conditioned upon—

"(1) a petition for issuance of a noncompetitive oil and gas lease, together with the required rental and royalty, including back rental and royalty accruing from the statutory date of abandonment of the oil placer mining claim, being filed with the Secretary—

"(A) with respect to any claim deemed conclusively abandoned on or before January 12, 1983, on or before the one hundred and twentieth day after January 12, 1983; or

"(B) with respect to any claim deemed conclusively abandoned after January 12, 1983, on or before the one hundred and twentieth day after final notification by the Secretary or a court of competent jurisdiction of the determination of the abandonment of the oil placer mining claim;

"(2) a valid lease not having been issued affecting any of the lands covered by the abandoned oil placer mining claim prior to the filing of such petition: *Provided*, *however,* That after the filing of a petition for issuance of a lease under this subsection, the Secretary shall not issue any new lease affecting any of the lands covered by such abandoned oil placer mining claim for a reasonable period, as determined in accordance with regulations issued by him;

"(3) a requirement in the lease for payment of rental, including back rentals accruing from the statutory date of abandonment of the oil placer mining claim, of not less than $5 per acre per year;

"(4) a requirement in the lease for payment of royalty on production removed or sold from the oil placer mining claim, including all royalty on production made subsequent to the statutory date the claim was deemed conclusively abandoned, of not less than 12½ percent; and

"(5) compliance with the notice and reimbursement of costs provisions of paragraph (4) of subsection (e) but addressed to the petition covering the conversion of an abandoned unpatented oil placer mining claim to a noncompetitive oil and gas lease.".

SEC. 80103. PERMIT FEES.

Section 17 of the Mineral Leasing Act (30 U.S.C. 226) is further amended by adding at the end the following:

"(r) FEE FOR COMMINGLING OF PRODUCTION.—

"(1) IN GENERAL.—The Secretary of the Interior shall approve applications allowing for the commingling of production from two or more sources (including the area of an oil and gas lease, the area included in a drilling spacing unit, a unit participating area, a communitized area, or non-Federal property) before production reaches the point of royalty measurement regardless of ownership, the royalty rates, and the number or

percentage of acres for each source if the applicant pays an application fee of $10,000 and agrees to install measurement devices for each source, utilize an allocation method that achieves volume measurement uncertainty levels within plus or minus 2 percent during the production phase reported on a monthly basis, or utilize an approved periodic well testing methodology. Production from multiple oil and gas leases, drilling spacing units, communitized areas, or participating areas from a single wellbore shall be considered a single source. Nothing in this subsection shall prevent the Secretary of the Interior from continuing the current practice of exercising discretion to authorize higher percentage volume measurement uncertainty levels if appropriate technical and economic justifications have been provided.

"(2) REVENUE ALLOCATION.—Fees received under this subsection shall be deposited into the Treasury as miscellaneous receipts.

"(s) FEES FOR PERMITS-BY-RULE.—

"(1) IN GENERAL.—The Secretary shall establish, by regulation not later than 2 years after the date of enactment of this subsection, a permit-by-rule process under which a leaseholder may receive approval to drill for oil and gas if the leaseholder certifies compliance with such regulations and pays a fee of $5,000. Such permit-by-rule process shall allow drilling operations to commence no later than 45 days after the leaseholder has filed a registration that certifies compliance with such regulations and paid the fee required by this paragraph.

"(2) REVENUE ALLOCATION.—Fees received under this subsection shall be deposited into the Treasury as miscellaneous receipts.".

SEC. 80104. PERMITTING FEE FOR NON-FEDERAL LAND.

(a) IN GENERAL.—Notwithstanding the Mineral Leasing Act, the Federal Oil and Gas Royalty Management Act of 1982, or subpart 3162 of part 3160 of title 43, Code of Federal Regulations (or successor regulations), but subject to any applicable State requirements, the Secretary of the Interior shall not require a permit to drill for an oil and gas lease under the Mineral Leasing Act for an action occurring within an oil and gas drilling or spacing unit if the leaseholder pays a fee of $5,000 and—

(1) the Federal Government—

(A) owns less than 50 percent of the minerals within the oil and gas drilling or spacing unit; and

(B) does not own or lease the surface estate within the area directly impacted by the action; or

(2) the well is located on non-Federal land overlying a non-Federal mineral estate, but some portion of the wellbore traverses but does not produce from the Federal mineral estate subject to the lease.

(b) NOTIFICATION.—For each State permit to drill or drilling plan that would impact or extract oil and gas owned by the Federal Government—

(1) each lessee of Federal minerals in the unit, or designee of a lessee, shall—

(A) notify the Secretary of the Interior of the submission of a State application for a permit to drill or drilling plan on submission of the application;

(B) provide a copy of the application described in subparagraph (A) to the Secretary of the Interior not later than 5 days after the date on which the permit or plan is submitted; and

(C) pay to the Secretary of the Interior the $5,000 fee referenced in subsection (a) of this section;

(2) each lessee, designee of a lessee, or applicable State shall notify the Secretary of the Interior of the approved State permit to drill or drilling plan not later than 45 days after the date on which the permit or plan is approved; and

(3) each lessee or designee of a lessee shall provide, prior to commencing drilling operations, agreements authorizing the Secretary of the Interior to enter non-Federal land, as necessary, for inspection and enforcement of the terms of the Federal lease.

(c) EFFECT.—Nothing in this section affects the amount of royalties due to the Federal Government from the production of the Federal minerals within the oil and gas drilling or spacing unit.

(d) REVENUE ALLOCATION.—Fees received under this section shall be deposited into the Treasury as miscellaneous receipts.

(e) AUTHORITY ON NON-FEDERAL LAND.—Section 17(g) of the Mineral Leasing Act (30 U.S.C. 226(g)) is amended—

(1) by striking the subsection designation and all that follows through "Secretary of the Interior, or" in the first sentence and inserting the following:

"(g) REGULATION OF SURFACE DISTURBING ACTIVITIES.—

"(1) IN GENERAL.—The Secretary of the Interior, or"; and

(2) by adding at the end the following:

"(2) AUTHORITY ON NON-FEDERAL LAND.—

"(A) IN GENERAL.—In the case of an oil and gas lease under this Act on land described in subparagraph (B) located within an oil and gas drilling or spacing unit, nothing in this Act authorizes the Secretary of the Interior to—

"(i) require a bond to protect non-Federal land;

"(ii) enter non-Federal land without the consent of the applicable landowner;

"(iii) impose mitigation requirements; or

"(iv) require approval for surface reclamation.

"(B) LAND.—Land referred to in subparagraph (A) is land where—

"(i) the Federal Government—

"(I) owns less than 50 percent of the minerals within the oil and gas drilling or spacing unit; and

"(II) does not own or lease the surface estate within the area directly impacted by the action;

"(ii) the well is located on non-Federal land overlying a non-Federal mineral estate, but some portion of the wellbore enters and produces from the Federal mineral estate subject to the lease; or

"(iii) the well is located on non-Federal land overlying a non-Federal mineral estate, but some portion

of the wellbore traverses but does not produce from the Federal mineral estate subject to the lease.

"(C) NO FEDERAL ACTION.—An oil and gas exploration or production activity carried out under a lease described in subparagraph (A)—

"(i) shall require no Federal action; and

"(ii) may commence 30 days after the leaseholder submits the State permit to the Secretary.".

SEC. 80105. REINSTATE REASONABLE ROYALTY RATES.

(a) OFFSHORE OIL AND GAS ROYALTY RATE.—Section 8(a)(1) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(a)(1)) is amended—

(1) in subparagraph (A), by striking "not less than 16⅔ percent, but not more than 18¾ percent, during the 10-year period beginning on the date of enactment of the Act titled 'An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14', and not less than 16⅔ percent thereafter," and inserting "not less than 12.5 percent, but not more than 18¾ percent,";

(2) in subparagraph (C), by striking "not less than 16⅔ percent, but not more than 18¾ percent, during the 10-year period beginning on the date of enactment of the Act titled 'An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14', and not less than 16⅔ percent thereafter," and inserting "not less than 12.5 percent, but not more than 18¾ percent,";

(3) in subparagraph (F), by striking "not less than 16⅔ percent, but not more than 18¾ percent, during the 10-year period beginning on the date of enactment of the Act titled 'An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14', and not less than 16⅔ percent thereafter," and inserting "not less than 12.5 percent, but not more than 18¾ percent,"; and

(4) in subparagraph (H), by striking "not less than 16⅔ percent, but not more than 18¾ percent, during the 10-year period beginning on the date of enactment of the Act titled 'An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14', and not less than 16⅔ percent thereafter," and inserting "not less than 12.5 percent, but not more than 18¾ percent,".

(b) ONSHORE OIL AND GAS ROYALTY RATES.—Section 17 of the Mineral Leasing Act (30 U.S.C. 226) is amended—

(1) in subsection (b)—

(A) in paragraph (1)(A), by striking "the Act titled 'An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14', 16⅔" and inserting "subsection (s), 12.5"; and

(B) in paragraph (2)(A)(ii), by striking "16⅔ percent" and inserting "16⅔ percent or, in the case of a lease issued on or after the date of enactment of subsection (s), 12.5 percent";

(2) in subsection (l), by striking "16⅔ percent" each place it appears and inserting "16⅔ percent or, in the case of a lease

issued on or after the date of enactment of subsection (s), 12.5 percent"; and

(3) in subsection (n)(1)(C), by striking "16⅔ percent" and inserting "16⅔ percent or, in the case of a lease issued on or after the date of enactment of subsection (s), 12.5 percent".

PART II—GEOTHERMAL

SEC. 80111. GEOTHERMAL LEASING.

Section 4(b) of the Geothermal Steam Act of 1970 (30 U.S.C. 1003(b)) is amended—

(1) in paragraph (2), by striking "2 years" and inserting "year"; and

(2) by adding at the end the following:

"(5) REPLACEMENT SALES.—If a lease sale under paragraph (2) for a year is canceled or delayed, the Secretary of the Interior shall conduct a replacement sale during the same year.

"(6) REQUIREMENT.—In conducting a lease sale under paragraph (2) in a State described in that paragraph, the Secretary of the Interior shall offer all nominated parcels eligible for geothermal development and utilization under a land use plan developed or revised under section 202 of the Federal Land Policy and Management Act of 1976 that is in effect for the State.".

SEC. 80112. GEOTHERMAL ROYALTIES.

Section 5(a)(1) of the Geothermal Steam Act of 1970 (30 U.S.C. 1004(a)(1)) is amended—

(1) in subparagraph (A)—

(A) by inserting "with respect to each electric generating facility producing electricity," before "not less than"; and

(B) by inserting by "by such facility" after "produced"; and

(2) in subparagraph (B)—

(A) by inserting "with respect to each electric generating facility producing electricity," before "not less than"; and

(B) by inserting by "by such facility" after "produced".

PART III—ALASKA

SEC. 80121. COASTAL PLAIN OIL AND GAS LEASING.

(a) DEFINITIONS.—In this section:

(1) COASTAL PLAIN.—The term "Coastal Plain" has the meaning given the term in section 20001(a) of Public Law 115–97 (16 U.S.C. 3143 note).

(2) OIL AND GAS PROGRAM.—The term "oil and gas program" means the oil and gas program established under section 20001(b)(2) of Public Law 115–97 (16 U.S.C. 3143 note).

(3) SECRETARY.—The term "Secretary" means the Secretary of the Interior.

(b) ADMINISTRATION.—Not later than 30 days after the date of enactment of this Act, the Secretary shall—

(1) withdraw—

(A) the supplemental environmental impact statement described in the notice of availability of the Bureau of

Land Management entitled "Notice of Availability of the Final Coastal Plain Oil and Gas Leasing Program Supplemental Environmental Impact Statement, Alaska" (89 Fed. Reg. 88805 (November 8, 2024)); and

(B) the record of decision described in the notice of availability of the Bureau of Land Management entitled "Notice of Availability of the Record of Decision for the Final Supplemental Environmental Impact Statement for the Coastal Plain Oil and Gas Leasing Program, Alaska" (89 Fed. Reg. 101042 (December 13, 2024)); and

(2) reinstate—

(A) the environmental impact statement described in the notice of availability of the Bureau of Land Management entitled "Notice of Availability of the Final Environmental Impact Statement for the Coastal Plain Oil and Gas Leasing Program, Alaska" (84 Fed. Reg. 50472 (September 25, 2019)); and

(B) the record of decision described in the notice of availability of the Bureau of Land Management entitled "Notice of Availability of the Record of Decision for the Final Environmental Impact Statement for the Coastal Plain Oil and Gas Leasing Program, Alaska" (85 Fed. Reg. 51754 (August 21, 2020)).

(c) REISSUANCE OF CANCELLED LEASES.—

(1) ACCEPTANCE OF BIDS.—Not later than 30 days after the date of enactment of this Act, the Secretary shall, without modification or delay—

(A) accept the highest valid bid for each Coastal Plain lease tract for which a valid bid was received on January 6, 2021, pursuant to the requirement to hold the first lease sale under section 20001(c)(1)(A) of Public Law 115–97 (16 U.S.C. 3143 note); and

(B) provide the appropriate lease form to each successful bidder under subparagraph (A) to execute and return to the Secretary.

(2) LEASE ISSUANCE.—On receipt of an executed lease form under paragraph (1)(B) and payment in accordance with that lease of the rental for the first year, the balance of the bonus bid (unless deferred), and any required bond or security from the successful bidder, the Secretary shall promptly issue to the successful bidder a fully executed lease, in accordance with—

(A) the applicable regulations, as in effect on January 6, 2021; and

(B) the terms and conditions of the record of decision described in subsection (b)(2)(B).

(3) TERMS AND CONDITIONS.—Leases reissued pursuant to this subsection shall include the terms and conditions from the record of decision described in the notice of availability of the Bureau of Land Management entitled "Notice of Availability of the Record of Decision for the Final Environmental Impact Statement for the Coastal Plain Oil and Gas Leasing Program, Alaska" (85 Fed. Reg. 51754 (August 21, 2020)).

(4) EXCEPTION.—This subsection shall not apply to any bid for which a lease was issued and subsequently relinquished by the successful bidder prior to the date of enactment of this Act.

(d) LEASE SALES REQUIRED.—

(1) IN GENERAL.—Subject to paragraph (2), in addition to the lease sales required under section 20001(c)(1)(A) of Public Law 115–97 (16 U.S.C. 3143 note), the Secretary shall conduct not fewer than 4 lease sales area-wide under the oil and gas program by not later than 10 years after the date of the enactment of this Act.

(2) SALE ACREAGES; SCHEDULE.—The Secretary shall offer—

(A) an initial lease sale under paragraph (1) not later than 1 year after the date of the enactment of this Act;

(B) a second lease sale under paragraph (1) not later than 3 years after the date of the enactment of this Act;

(C) a third lease sale under paragraph (1) not later than 5 years after the date of the enactment of this Act;

(D) a fourth lease sale under paragraph (1) not later than 7 years after the date of the enactment of this Act; and

(E)(i) not fewer than 400,000 acres area-wide in each lease sale, including those areas that have the highest potential for the discovery of hydrocarbons; or

(ii) the total number of unleased acres subject to the provisions of this section if that total number of available acres is less than 400,000 acres.

(3) RIGHTS-OF-WAY.—The Secretary shall issue any rights-of-way, easements, authorizations, permits, verifications, extensions, biological opinions, incidental take statements, and any other approvals across the Coastal Plain to facilitate the exploration, development, production, or transportation of oil or gas under a lease issued under a lease sale conducted under this subsection or reissued pursuant to subsection (c).

(4) LEASING CERTAINTY.—The rights-of-way, easements, authorizations, permits, verifications, extensions, biological opinions, incidental take statements, and any other approvals or orders described in paragraph (3) and the record of decision described in subsection (b)(2)(B) shall be considered to satisfy the requirements of—

(A) the Alaska National Interest Lands Conservation Act;

(B) the National Environmental Policy Act of 1969;

(C) Public Law 115–97;

(D) the Endangered Species Act of 1973;

(E) subchapter II of chapter 5 of title 5, United States Code, and chapter 7 of title 5, United States Code; and

(F) the Marine Mammal Protection Act of 1972.

(e) LEASE ISSUANCE.—Leases shall be reissued or issued under subsections (c) and (d)—

(1) not later than 60 days after payment by the successful bidder of the remainder of the bonus bid, if any, and the annual rental for the first lease year;

(2) in accordance with the applicable regulations, as in effect on January 6, 2021; and

(3) in accordance with the terms and conditions from the record of decision described in the notice of availability of the Bureau of Land Management entitled "Notice of Availability of the Record of Decision for the Final Environmental Impact Statement for the Coastal Plain Oil and Gas Leasing Program, Alaska" (85 Fed. Reg. 51754 (August 21, 2020)).

(f) GEOPHYSICAL SURVEYS.—Not later than 30 days after the date on which the Secretary receives a complete application pursuant to section 3152.1 of title 43, Code of Federal Regulations (or any successor regulations), to conduct oil and gas geophysical exploration operations in the Coastal Plain, the Secretary shall approve such application.

(g) RECEIPTS.—Notwithstanding section 35 of the Mineral Leasing Act (30 U.S.C. 191) and section 20001(b)(5) of Public Law 115–97 (16 U.S.C. 668dd note), of the amount of adjusted bonus, rental, and royalty receipts derived from the oil and gas program and operations on the Coastal Plain pursuant to this section—

(1)(A) for fiscal years 2025 through 2034, 50 percent shall be paid to the State of Alaska; and

(B) for fiscal year 2035 and thereafter, 90 percent shall be paid to the State of Alaska; and

(2) the balance shall be deposited into the Treasury as miscellaneous receipts.

(h) JUDICIAL PRECLUSION.—

(1) IN GENERAL.—Except as provided in paragraph (2), no court shall have jurisdiction to review any action taken by the Secretary, the Administrator of the Environmental Protection Agency, a State or municipal government administrative agency, or any other Federal agency (acting pursuant to Federal law) to—

(A) reissue a lease pursuant to subsection (c) or issue a lease under a lease sale conducted under subsection (d); or

(B) grant or issue a right-of-way, easement, authorization, permit, verification, biological opinion, incidental take statement, or other approval for a lease reissued pursuant to subsection (c) or issued under a lease sale conducted under subsection (d), whether reissued or issued prior to, on, or after the date of the enactment of this Act, and including any lawsuit or any other action pending in a court as of the date of enactment of this Act.

(2) PETITION BY LEASEHOLDER.—

(A) IN GENERAL.—A leaseholder or the State of Alaska may obtain a review of an alleged failure by the Secretary to act in accordance with this section or with any law pertaining to granting or issuing a lease, right-of-way, easement, authorization, permit, verification, biological opinion, incidental take statement, or other approval related to a lease under this section by filing a written petition with a court of competent jurisdiction seeking an order.

(B) DEADLINES.—If a court of competent jurisdiction finds pursuant to subparagraph (A) that an agency has failed to act in accordance with this section or with any law pertaining to granting or issuing a lease, right-of-way, easement, authorization, permit, verification, biological

opinion, incidental take statement, or other approval related to a lease under this section, the court shall set a schedule and deadline for the agency to act as soon as practicable, which shall not exceed 90 days from the date on which the order of the court is issued, unless the court determines a longer time period is necessary to comply with applicable law.

SEC. 80122. NATIONAL PETROLEUM RESERVE–ALASKA.

(a) RESTORATION OF NPR–A OIL AND GAS PROGRAM.—Effective beginning on the date of enactment of this Act, the Secretary shall—

(1) expeditiously restore and resume the Program for domestic energy production to generate Federal revenue, subject to the requirements of section 107 of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6506a); and

(2) cease to implement, administer, or enforce the regulations contained in part 2360 of title 43, Code of Federal Regulations (as in effect on the date of the enactment of this Act).

(3) DEFINITIONS.—In this subsection:

(A) PROGRAM.—The term "Program" means the competitive oil and gas leasing, exploration, development, and production program established under section 107 of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6506a).

(B) SECRETARY.—The term "Secretary" means the Secretary of the Interior.

(b) PURPOSE.—The Naval Petroleum Reserves Production Act of 1976 is amended by inserting before section 101 (42 U.S.C. 6501) the following:

"SEC. 1. PURPOSE.

"The purpose of this Act is to require and facilitate a leasing program in the National Petroleum Reserve in Alaska for the expeditious exploration, development, and production of petroleum to meet the energy needs of the Nation and the world. In order to accomplish this purpose, the Secretary shall, in consultation with the State of Alaska and the North Slope Borough, Alaska, expedite administration of the Program for domestic energy production and Federal revenue as prescribed in section 107(d) of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6506a(d)).".

(c) REQUIRED LEASE SALES.—Section 107(d) of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6506a(d)) is amended—

(1) by striking "FIRST LEASE SALE.—The first lease" and inserting "REQUIRED LEASE SALES.—

"(1) FIRST LEASE SALE.—The first lease"; and

(2) by adding at the end the following:

"(2) SUBSEQUENT LEASE SALES.—

"(A) IN GENERAL.—Subject to subparagraph (B), beginning in the first full calendar year after the date of enactment of this paragraph, the Secretary shall conduct an oil and gas lease sale in the reserve not less frequently than once every two years.

"(B) ACREAGES.—The Secretary shall offer not fewer than 4,000,000 acres in each lease sale conducted under subparagraph (A).

"(C) TERMS AND STIPULATIONS FOR NPR–A LEASE SALES.—In conducting lease sales under this paragraph, the Secretary shall offer the same lease form as lease form AK–3130–1 (March 2018) and the same lease terms, economic conditions, and stipulations as described in the NPR–A record of decision published by the Bureau of Land Management entitled 'National Petroleum Reserve in Alaska Integrated Activity Plan Record of Decision' (December 2020).".

(d) RECEIPTS.—Section 107(l) of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6506a(l)) is amended—

(1) by striking "All receipts from" and inserting the following:

"(1) IN GENERAL.—Except as provided in paragraph (2), all receipts from"; and

(2) by adding at the end the following:

"(2) PERCENT SHARE FOR FISCAL YEAR 2035 AND THEREAFTER.—Beginning in fiscal year 2035, of the receipts described in paragraph (1)—

"(A) 90 percent shall be paid to the State of Alaska; and

"(B) 10 percent shall be paid into the Treasury of the United States.".

(e) FACILITATION.—Section 107(n)(2) of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6506a(n)(2)) is amended to read as follows:

"(2) SUBSEQUENT LEASE SALES.—The detailed environmental study and assessments that have been conducted and identified in the document titled 'Notice of Availability of the National Petroleum Reserve in Alaska Integrated Activity Plan Final Environmental Impact Statement' (85 Fed. Reg. 38388 (June 26, 2020)) are deemed to fulfill the requirements of the National Environmental Policy Act of 1969 with regard to the oil and gas lease sales required by subsection (d)(2).".

(f) GEOPHYSICAL SURVEYS; JUDICIAL PRECLUSION.—Section 107 of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6506a) is amended by adding at the end the following:

"(q) GEOPHYSICAL SURVEYS.—Not later than 30 days after the date on which the Secretary of the Interior receives a complete application pursuant to section 3152.1 of title 43, Code of Federal Regulations (or any successor regulations), to conduct oil and gas geophysical exploration operations in the National Petroleum Reserve in Alaska, the Secretary of the Interior shall approve such application.

"(r) JUDICIAL PRECLUSION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), no court shall have jurisdiction to review any action taken by the Secretary of the Interior, a State or municipal government administrative agency, or any other Federal agency (acting pursuant to Federal law) to grant or issue a right-of-way, easement, authorization, permit, verification, biological opinion, incidental take statement, or other approval for a lease issued

under this Act, whether issued prior to, on, or after the date of the enactment of this subsection, and including any lawsuit or any other action pending in a court as of the date of enactment of this subsection.

"(2) PETITION BY LEASEHOLDER.—

"(A) IN GENERAL.—A leaseholder or the State of Alaska may obtain a review of an alleged failure by the Secretary of the Interior to act in accordance with this Act by filing a written petition with a court of competent jurisdiction seeking an order.

"(B) DEADLINES.—If a court of competent jurisdiction finds pursuant to subparagraph (A) that an agency has failed to act in accordance with this Act, the court shall set a schedule and deadline for the agency to act as soon as practicable, which shall not exceed 90 days from the date on which the order of the court is issued, unless the court determines a longer time period is necessary to comply with applicable law.".

PART IV—MINING

SEC. 80131. SUPERIOR NATIONAL FOREST LANDS IN MINNESOTA.

(a) RESCISSION.—The Public Land Order of the Bureau of Land Management titled "Public Land Order No. 7917 for Withdrawal of Federal Lands; Cook, Lake, and Saint Louis Counties, MN" (88 Fed. Reg. 6308; published January 31, 2023) is hereby rescinded and shall have no force or effect.

(b) REINSTATEMENT, ISSUANCE, AND MODIFICATION OF CERTAIN HARDROCK MINERAL LEASES.—

(1) REINSTATEMENT AND TERM MODIFICATION.—

(A) REINSTATEMENT.—Notwithstanding Reorganization Plan No. 3 of 1946 (5 U.S.C. App.), section 2478 of the Revised Statutes (43 U.S.C. 1457c), the Act of June 30, 1950 (64 Stat. 311; 16 U.S.C. 508b), and the Act of March 4, 1917 (39 Stat. 1150; 16 U.S.C. 520), and not later than 5 calendar days after the date of the enactment of this section, the Secretary shall reinstate each covered lease.

(B) LEASE TERM.—Upon reinstatement of each covered lease under subparagraph (A)—

(i) each covered lease shall have an initial term of 20 years from the date of such reinstatement and a right to successive renewals in accordance with paragraph (4);

(ii) the Secretary shall toll the initial term of a covered lease during any period in which permitting activities of the covered lease are delayed by legal or administrative proceedings not initiated by the holder of the covered lease; and

(iii) the Secretary shall extend the initial term of a covered lease by a period equal to any tolling period under clause (ii).

(C) APPLICABLE TERMS.—Except as modified by this section, all terms and conditions of each covered lease shall

be in accordance with the original terms of the covered lease.

(2) REVENUE PROVISIONS.—

(A) REINSTATEMENT FEE.—Upon reinstatement of each covered lease under paragraph (1)(A), the holder of a covered lease shall pay to the Secretary a one-time fee of $100 per acre of the covered lease.

(B) SUPPLEMENTAL RENTAL.—In addition to the rental payment specified in the reinstated covered lease, the holder of a covered lease shall pay to the Secretary an annual supplemental rental of $10 per acre of the covered lease during years 6 through 10 of the initial term of the covered lease.

(C) REVENUE ALLOCATION.—All revenues collected under this paragraph shall be deposited in the Treasury as miscellaneous receipts.

(3) GRANT OF PREFERENCE RIGHT HARDROCK MINERAL LEASE.—

(A) CONGRESSIONAL GRANT.—Notwithstanding Reorganization Plan No. 3 of 1946 (5 U.S.C. App.), section 2478 of the Revised Statutes (43 U.S.C. 1457c), the Act of June 30, 1950 (64 Stat. 311; 16 U.S.C. 508b), and the Act of March 4, 1917 (39 Stat. 1150; 16 U.S.C. 520), and in recognition of the valid existing rights created through the finding of a valuable mineral deposit as determined by the issuance of a Notice of Preliminary Valuable Deposit Determination from the Bureau of Land Management, Congress hereby grants to any holder of a Notice of Preliminary Valuable Deposit Determination issued between January 20, 2017, and January 20, 2021, a preference right hardrock mineral lease subject to the terms described in this paragraph.

(B) LEASE TERMS.—Each preference right hardrock mineral lease granted under subparagraph (A) shall—

(i) have an initial term of 20 years from the date of such grant and a right to successive renewals in accordance with paragraph (4);

(ii) except as provided in clause (iv), be subject to the same terms and conditions as adjacent covered leases, as modified by this section;

(iii) be deemed part of the unified mining operation with adjacent covered leases for purposes of mine planning and operations; and

(iv) not be required to meet the diligence requirements of adjacent covered leases until the date on which the first term of the preference right hardrock mineral lease after the lease is renewed under paragraph (4) begins.

(C) REVENUE PROVISIONS.—

(i) IN GENERAL.—Upon the grant of each preference right hardrock mineral lease under subparagraph (A), the holder of each lease shall pay to the Secretary—

(I) a one-time issuance fee of $250 per acre of the preference right hardrock mineral lease;

(II) an annual rental payment of $1 per acre of the preference right hardrock mineral lease per year; and

(III) a production royalty in accordance with the terms and conditions described in subparagraph (B)(ii).

(ii) DEPOSIT OF AMOUNTS.—Amounts collected under this subparagraph shall be deposited in the Treasury as miscellaneous receipts.

(4) RENEWAL PROVISIONS.—

(A) RENEWAL QUALIFICATION.—If, during the last 2 years of each initial or renewal term of a lease reinstated, granted, or renewed under this subsection, the holder of the lease requests renewal, the Secretary shall renew the lease in accordance with this paragraph.

(B) RENEWAL PROCESS.—

(i) IN GENERAL.—Not later than 90 days before the date on which the term of a lease for which the holder of the lease requests renewal under subparagraph (A) ends, the holder of the lease shall pay to the Secretary a renewal fee of $100 per acre of the lease.

(ii) RENEWAL REQUIRED.—Upon receipt of a renewal request under subparagraph (A) and the renewal fee required under clause (i) of this subparagraph, the Secretary shall renew the lease that is the subject of the renewal request for an additional 10-year term.

(C) RENEWAL CONDITIONS.—

(i) IN GENERAL.—

(I) MINE PLAN OF OPERATIONS NOT REQUIRED DURING INITIAL TERM.—Approval of a mine plan of operations is not required during the initial term of a lease reinstated or granted under this subsection.

(II) MINIMUM PRODUCTION REQUIREMENTS.—Minimum production requirements as described in adjacent covered leases shall begin with respect to a lease reinstated or granted under this subsection on the date that is 5 years after the approval of a mine plan of operations for such lease.

(ii) ANNUAL RENTAL PAYMENTS.—The annual rental payment for a lease renewed under this subsection shall be $2 per acre more than the annual rental payment of such lease during the preceding term of such lease.

(5) JUDICIAL REVIEW.—

(A) IN GENERAL.—The reinstatement, modification, or grant of a lease, or a combination thereof, under this section is not subject to judicial review.

(B) EXCEPTION.—Notwithstanding subparagraph (A), the holder of a lease reinstated, modified, or granted under this subsection may seek review of an alleged failure by the Secretary to act in accordance with this section.

(6) DEFINITIONS.—In this section:

(A) COVERED LEASE.—The term "covered lease" means a hardrock mineral lease—

(i) located within the Superior National Forest in the State of Minnesota;

(ii) issued or renewed in between January 20, 2017, and January 19, 2021; and

(iii) cancelled or otherwise rescinded between January 20, 2021, and January 20, 2025.

(B) SECRETARY.—The term "Secretary" means the Secretary of the Interior.

SEC. 80132. AMBLER ROAD IN ALASKA.

(a) ANILCA.—Section 201(4)(b) of the Alaska National Interest Lands Conservation Act (16 U.S.C. 410hh(4)(b)) is amended by adding at the end "In accordance with the provisions of this subsection, each Federal agency shall approve each authorization within its jurisdiction with respect to the surface transportation corridor and each such Federal agency shall promptly issue, in accordance with applicable law, such rights-of-way, permits, licenses, leases, certificates, or other authorizations as are necessary with respect to the establishment of the surface transportation corridor, including the Secretary, who shall permit such access across all Federal land and public lands, including across the Western (Kobuk River) unit of the Gates of the Arctic National Preserve administered by the National Park Service and the Central Yukon Planning Area administered by the Bureau of Land Management. Each such authorization shall be deemed to satisfy all requirements of all applicable Federal law and shall not be subject to judicial review."".

(b) REINSTATEMENT OF JOINT RECORD OF DECISION.—Not later than 90 days after the date of the enactment of this subtitle, the Secretary shall—

(1) rescind the record of decision published by the Bureau of Land Management titled "Ambler Road Supplemental Environmental Impact Statement" (June 2024);

(2) reinstate, as amended if the Secretary determines necessary, and publish in the Federal Register the Joint Record of Decision, which selected Alternative A as the preferred alternative; and

(3) issue to the Applicant all Federal rights-of-way on Federal land and public lands, and any associated permits, approvals, or other authorizations, as necessary to implement the Joint Record of Decision published under paragraph (2).

(c) RENTAL PAYMENTS.—The rental fee paid by the Applicant to the Bureau of Land Management for a right-of-way issued pursuant to subsection (b)(3) shall be $500,000 for each of fiscal years 2025 through 2034.

(d) RECEIPTS.—Receipts derived from adjusted rental receipts under subsection (c) shall be deposited into the Treasury as miscellaneous receipts.

(e) JUDICIAL REVIEW.—

(1) IN GENERAL.—An action taken by the Secretary pursuant to this section is not subject to judicial review.

(2) EXCEPTION.—Notwithstanding paragraph (1), the Applicant may seek review of an alleged failure by the Secretary to act in accordance with this section.

(f) DEFINITIONS.—In this section:

(1) ALTERNATIVE A.—The term "Alternative A" means Alternative A as described in "Section 2 (Alternatives)" of the document titled "Ambler Road Environmental Impact Statement, Final, Volume 1: Chapters 1–3, Appendices A–F) (March 2020)".

(2) APPLICANT.—The term "Applicant" has the meaning given the term in the document titled "Ambler Road Environmental Impact Statement, Final, Volume 1: Chapters 1–3, Appendices A–F) (March 2020)".

(3) FEDERAL LAND.—The term "Federal land" has the meaning given such term in section 102 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3102).

(4) JOINT RECORD OF DECISION.—The term "Joint Record of Decision" means the Joint Record of Decision as described in the document titled "Ambler Road Environmental Impact Statement Joint Record of Decision (July 2020)".

(5) PUBLIC LANDS.—The term "public lands" has the meaning given such term in section 102 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3102).

(6) SECRETARY.—The term "Secretary" means the Secretary of the Interior.

PART V—COAL

SEC. 80141. COAL LEASING.

(a) MANDATORY LEASING AND OTHER REQUIRED APPROVALS.—Not later than 90 days after the date of enactment of this Act in the case of a pending application, or not later than 90 days after the date of submission in the case of an application submitted after the date of the enactment of this Act, the Secretary of the Interior shall—

(1) with respect to each qualified application—

(A) if not previously published for public comment, publish any required environmental review;

(B) finalize the fair market value of the applicable coal tract;

(C) hold a lease sale with respect to the applicable coal tract;

(D) take all other intermediate actions necessary to grant the qualified application; and

(E) after completing the actions required by subparagraphs (A) through (D), grant the qualified application and issue the applicable lease to the person that submitted the qualified application if that person submitted the highest bid in the lease sale held under subparagraph (C); and

(2) with respect to previously issued coal leases, grant any additional approvals of the Department of the Interior required for mining activities to commence.

(b) LEASES FOR KNOWN RECOVERABLE COAL RESOURCES.—Notwithstanding section 2(a)(3)(A) of the Mineral Leasing Act (30 U.S.C. 201(a)(3)(A)) and section 202 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1712), not later than 90 days after the date of enactment of this Act, the Secretary of the Interior

shall make available for lease known recoverable coal resources of not less than 4,000,000 additional acres on Federal land west of the 100th meridian located in the 48 contiguous States and Alaska, but which shall not include any Federal land within—

(1) a National Monument;

(2) a National Recreation Area;

(3) a component of the National Wilderness Preservation System;

(4) a component of the National Wild and Scenic Rivers System;

(5) a component of the National Trails System;

(6) a National Conservation Area;

(7) a unit of the National Wildlife Refuge System;

(8) a unit of the National Fish Hatchery System;

(9) a unit of the National Park System;

(10) a National Preserve;

(11) a National Seashore or National Lakeshore;

(12) a National Historic Site;

(13) a National Memorial;

(14) a National Battlefield, National Battlefield Park, National Battlefield Site, or National Military Park; or

(15) a National Historical Park.

(c) DEFINITIONS.—In this section:

(1) COAL LEASE.—The term "coal lease" means a lease entered into by the United States as lessor, through the Bureau of Land Management, and an applicant on Bureau of Land Management Form 3400–012, or a successor form that contains terms of a coal lease.

(2) QUALIFIED APPLICATION.—The term "qualified application" means an application for a coal lease pending as of the date of enactment of this Act or submitted within 90 days thereafter under the lease by application program administered by the Bureau of Land Management pursuant to the Mineral Leasing Act.

SEC. 80142. FUTURE COAL LEASING.

Secretarial Order 3338, issued by the Secretary of the Interior on January 15, 2016, or any other actions limiting the Federal coal leasing program, shall have no force or effect.

SEC. 80143. COAL ROYALTY.

(a) RATE.—Section 7(a) of the Mineral Leasing Act (30 U.S.C. 207(a)) is amended by striking "12½ per centum" and inserting "12½ percent, except such amount shall be not more than 7 percent during the period that begins on the date of enactment of subsection (s) of section 17 and ends September 30, 2034,".

(b) RETROACTIVITY.—The amendment made by subsection (a) shall apply to a coal lease—

(1) issued under section 2 of the Mineral Leasing Act (30 U.S.C. 201) before, on, or after the date of the enactment of this subtitle; and

(2) that has not been terminated.

(c) ADVANCE ROYALTIES.—With respect to a lease issued under section 2 of the Mineral Leasing Act (30 U.S.C. 201) for which the lessee has paid advance royalties under section 7(b) of that Act (30

U.S.C. 207(b)), the Secretary of the Interior shall provide to the lessee a credit for the difference between the amount paid by the lessee in advance royalties for the lease before the date of the enactment of this subtitle and the amount the lessee would have been required to pay if the amendment made by subsection (a) had been made before the lessee paid advance royalties for the lease.

SEC. 80144. AUTHORIZATION TO MINE FEDERAL MINERALS.

(a) IN GENERAL.—All Federal coal reserves leased under Federal Coal Lease MTM 97988 located within the covered Federal land are authorized to be mined in accordance with the Bull Mountains Mining Plan Modification.

(b) DEFINITIONS.—In this section:

(1) BULL MOUNTAINS MINING PLAN MODIFICATION.—The term "Bull Mountains Mining Plan Modification" means the Mine No. 1, Amendment 3 mining plan modification for Federal coal lease MTM 97988 described in the memorandum of the Department of the Interior titled "Recommendation regarding the previously approved mining plan modification for Federal Lease MTM–97988 at Signal Peak Energy, LLC's Bull Mountains Mine No.1, located in Musselshell and Yellowstone Counties, Montana" (November 18, 2020).

(2) COVERED FEDERAL LAND.—The term "covered Federal land" means the following land comprising approximately 800 acres:

(A) The NE ¼ of sec. 8, T. 6 N., R. 27 E., Montana Principal Meridian.

(B) The SW ¼ of sec. 10, T. 6 N., R. 27 E., Montana Principal Meridian.

(C) The W ½, SE ¼ of sec. 22, T. 6 N., R. 27 E., Montana Principal Meridian.

PART VI—NEPA

SEC. 80151. PROJECT SPONSOR OPT-IN FEES FOR ENVIRONMENTAL REVIEWS.

The National Environmental Policy Act of 1969 is amended by inserting after section 111 (42 U.S.C. 4336e) the following:

"SEC. 112. PROJECT SPONSOR OPT-IN FEES FOR ENVIRONMENTAL REVIEWS.

"(a) PROCESS.—

"(1) PROJECT SPONSOR.—A project sponsor who intends to pay a fee under this section for the preparation, or supervision of the preparation, of an environmental assessment or environmental impact statement with respect to the project of the project sponsor shall submit to the Council—

"(A) a description of the project; and

"(B) a declaration of whether the project sponsor intends to prepare the environmental assessment or environmental impact statement under section 107(f) of this title.

"(2) COUNCIL ON ENVIRONMENTAL QUALITY.—Not later than 15 days after the receipt of the information described in paragraph (1), the Council shall provide to the project sponsor that submitted such information notice of—

"(A) the relevant lead agency; and

"(B) the amount of the fee, as determined under subsection (b).

"(3) PAYMENT OF FEE.—A project sponsor may pay a fee under this section after receipt of the notice described in paragraph (2).

"(4) DEADLINE FOR ENVIRONMENTAL REVIEWS FOR WHICH A FEE IS PAID.—Notwithstanding section 107(g)(1)—

"(A) an environmental assessment for which a fee was paid under this section shall be completed by not later than 6 months after the sooner of, as applicable, the dates described in clauses (i), (ii), and (iii) of section 107(g)(1)(B); and

"(B) an environmental impact statement for which a fee was paid under this section shall be completed by not later than 1 year after the sooner of, as applicable, the dates described in clauses (i), (ii), and (iii) of section 107(g)(1)(A).

"(b) FEE AMOUNT.—The amount of a fee under this section shall be—

"(1) in the case of an environmental assessment or environmental impact statement to be prepared by the lead agency, 125 percent of the anticipated costs to prepare the environmental assessment or environmental impact statement; and

"(2) in the case of an environmental assessment or environmental impact statement to be prepared in whole or in part by a project sponsor under section 107(f), 125 percent of the anticipated costs to supervise preparation of, and (as applicable) prepare, the environmental assessment or environmental impact statement.

"(c) ADMINISTRATIVE AND JUDICIAL REVIEW.—

"(1) EA; EIS.—There shall be no administrative or judicial review of an environmental assessment or environmental impact statement for which a fee is paid under this section.

"(2) FONSI; ROD.—An action for administrative or judicial review of a finding of no significant impact or record of decision that is associated with an environmental assessment or environmental impact statement described in paragraph (1) may not challenge the finding of no significant impact or record of decision based on an alleged issue with the environmental assessment or environmental impact statement.

"(d) REVENUE ALLOCATION.—Fees received under this section shall be deposited into the Treasury as miscellaneous receipts.".

SEC. 80152. RESCISSION RELATING TO ENVIRONMENTAL AND CLIMATE DATA COLLECTION.

The unobligated balance of any amounts made available under section 60401 of Public Law 117–169 is rescinded.

PART VII—MISCELLANEOUS

SEC. 80161. PROTEST FEES.

Section 17 of the Mineral Leasing Act (30 U.S.C. 226) is further amended by adding at the end the following:

"(t) PROTEST FILING FEE.—

"(1) IN GENERAL.—Before processing any protest under this Act, the Secretary shall collect a filing fee in the amount described in paragraph (2) from the protestor to recover the cost for processing documents filed for the protest.

"(2) AMOUNT.—The amount described in this paragraph is calculated as follows:

"(A) For each protest filed in a submission not exceeding 10 pages in length, the base filing fee shall be $150.

"(B) For each protest filed in a submission exceeding 10 pages in length, in addition to the base filing fee, an assessment of $5 per page in excess of 10 pages shall apply.

"(C) For each protest filed in a submission that includes more than one oil and gas lease parcel, right-of-way, or application for permit to drill, an additional assessment of $10 per additional lease parcel, right-of-way, or application for permit to drill shall apply.

"(3) ADJUSTMENT.—

"(A) IN GENERAL.—Beginning on January 1, 2026, and annually thereafter, the Secretary shall adjust the filing fees established in this subsection to whole dollar amounts to reflect changes in the Producer Price Index, as published by the Bureau of Labor Statistics, for the previous 12 months.

"(B) PUBLICATION OF ADJUSTED FILING FEES.—At least 30 days before an adjustment to a filing fee under this paragraph takes effect, the Secretary shall publish notification of the adjustment in the Federal Register.

"(4) REVENUE ALLOCATION.—All revenues collected under this paragraph shall be deposited in the Treasury as miscellaneous receipts.".

PART VIII—OFFSHORE OIL AND GAS LEASING

SEC. 80171. MANDATORY OFFSHORE OIL AND GAS LEASE SALES.

(a) IN GENERAL.—

(1) GULF OF AMERICA.—

(A) IN GENERAL.—Notwithstanding section 18 of the Outer Continental Shelf Lands Act (43 U.S.C. 1344), the Secretary shall hold not fewer than 30 lease sales in the Gulf of America during the 15-year period beginning on the date of the enactment of this section.

(B) LOCATION REQUIREMENT.—For each lease sale held under this paragraph, the Secretary may offer for lease only an area identified as the Proposed Final Program Area in Figure S–1 of the 2017–2022 Outer Continental Shelf Oil and Gas Leasing Proposed Final Program referenced in the notice of availability published by the Bureau of Ocean Energy Management titled "Notice of Availability of the 2017–2022 Outer Continental Shelf Oil and Gas Leasing Proposed Final Program" (81 Fed. Reg. 84612; published November 23, 2016).

(C) ACREAGE REQUIREMENT.—For each lease sale held under this paragraph, the Secretary shall offer for lease—

(i) not fewer than 80,000,000 acres; or

(ii) if there are fewer than 80,000,000 acres that are unleased, all such unleased acres.

(D) TIMING REQUIREMENT.—Of the not fewer than 30 lease sales required under this paragraph, the Secretary shall hold not fewer than 1 lease sale on or before each of the following dates:

(i) August 15, 2025.
(ii) March 15, 2026.
(iii) August 15, 2026.
(iv) March 15, 2027.
(v) August 15, 2027.
(vi) March 15, 2028.
(vii) August 15, 2028.
(viii) March 15, 2029.
(ix) August 15, 2029.
(x) March 15, 2030.
(xi) August 15, 2030.
(xii) March 15, 2031.
(xiii) August 15, 2031.
(xiv) March 15, 2032.
(xv) August 15, 2032.
(xvi) March 15, 2033.
(xvii) August 15, 2033.
(xviii) March 15, 2034.
(xix) August 15, 2034.
(xx) March 15, 2035.
(xxi) August 15, 2035.
(xxii) March 15, 2036.
(xxiii) August 15, 2036.
(xxiv) March 15, 2037.
(xxv) August 15, 2037.
(xxvi) March 15, 2038.
(xxvii) August 15, 2038.
(xxviii) March 15, 2039.
(xxix) August 15, 2039.
(xxx) March 15, 2040.

(E) LEASE TERMS AND CONDITIONS.—

(i) IN GENERAL.—For each lease sale held under this paragraph, the Secretary shall offer the same lease form, lease terms, economic conditions, and stipulations 4 through 10 as contained in the Bureau of Ocean Energy Management final notice of sale titled "Gulf of Mexico Outer Continental Shelf Region-Wide Oil and Gas Lease Sale 254" (85 Fed. Reg. 8010; published February 12, 2020).

(ii) UPDATE.—The Secretary is authorized to update stipulations 1 through 3 of the final notice of sale titled "Gulf of Mexico Outer Continental Shelf Region-Wide Oil and Gas Lease Sale 254" (85 Fed. Reg. 8010; published February 12, 2020) to reflect current conditions for lease sales held under this paragraph.

(2) COOK INLET PLANNING AREA.—

(A) IN GENERAL.—Notwithstanding section 18 of the Outer Continental Shelf Lands Act (43 U.S.C. 1344), the

Secretary shall hold not fewer than 6 lease sales in the Cook Inlet Planning Area during the 10-year period beginning on the date of the enactment of this section.

(B) LOCATION REQUIREMENT.—For each lease sale held under this paragraph, the Secretary may offer for lease only an area identified in Figure S–2 of the 2017–2022 Outer Continental Shelf Oil and Gas Leasing Proposed Final Program referenced in the notice of availability published by the Bureau of Ocean Energy Management titled "Notice of Availability of the 2017–2022 Outer Continental Shelf Oil and Gas Leasing Proposed Final Program" (81 Fed. Reg. 84612; published November 23, 2016).

(C) ACREAGE REQUIREMENT.—For each lease sale held under this paragraph, the Secretary shall offer for lease—

(i) not fewer than 1,000,000 acres; or

(ii) if there are fewer than 1,000,000 acres that are unleased, all such unleased acres.

(D) TIMING REQUIREMENT.—Of the not fewer than 6 lease sales required under this paragraph, the Secretary shall hold not fewer than 1 lease sale on or before each of the following dates:

(i) March 15, 2026.

(ii) March 15, 2027.

(iii) August 15, 2028.

(iv) March 15, 2030.

(v) August 15, 2031.

(vi) March 15, 2032.

(E) LEASE TERMS AND CONDITIONS.—For each lease sale held under this paragraph, the Secretary shall offer the same lease form, lease terms, economic conditions, and stipulations as contained in the final notice of sale titled "Outer Continental Shelf Cook Inlet, Alaska, Oil and Gas Lease Sale 244" (82 Fed. Reg. 23163; published May 22, 2017).

(F) REVENUE SHARING.—Notwithstanding section 8(g) and 9 of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(g) and 1338), and beginning in fiscal year 2035, of the bonuses, rents, royalties, and other revenues derived from leases issued pursuant to this paragraph—

(i) 90 percent shall be paid to the State of Alaska; and

(ii) 10 percent shall be deposited in the Treasury as miscellaneous receipts.

(b) LEASE SALES HELD UNDER PROPOSED FINAL PROGRAM.—The lease sales held under this section may be in addition to the lease sales held under the Proposed Final Program for the 2024–2029 National Outer Continental Shelf Oil and Gas Leasing Program referenced in the notice of availability published by the Bureau of Ocean Energy Management titled "Notice of Availability of the 2024–2029 National Outer Continental Shelf Oil and Gas Leasing Proposed Final Program and Final Programmatic Environmental Impact Statement" (88 Fed. Reg. 67798; published October 2, 2023).

(c) OTHER REQUIREMENTS.—During the period beginning on the date of the enactment of this section and ending on the date that is 2 years after the date on which the last lease sale required to be held under this section is held, with respect to each lease sale held, lease issued, and any activity that requires a Federal authorization and is associated with a lease issued pursuant to this title, the Outer Continental Shelf Lands Act, or section 50264 of Public Law 117–169 in the Gulf of America—

(1) adherence with the Biological Opinion shall satisfy the Secretary's obligations under the Endangered Species Act of 1973 and the Marine Mammal Protection Act of 1972;

(2) the final programmatic environmental impact statement referenced in the notice of availability titled "Final Programmatic Environmental Impact Statement for the 2017–2022 Outer Continental Shelf (OCS) Oil and Gas Leasing Program" (81 Fed. Reg. 83870; published November 22, 2016), the Record of Decision related to such final programmatic environmental impact statement, and the final environmental impact statement referenced in the notice of availability titled "Final Environmental Impact Statement for Outer Continental Shelf, Gulf of Mexico, 2017–2022 Oil and Gas Lease Sales 249, 250, 251, 252, 253, 254, 256, 257, 259, and 261" (82 Fed. Reg. 13363; published March 10, 2017) shall satisfy the Secretary's obligations under the National Environmental Policy Act of 1969 and division A of subtitle III of title 54, United States Code; and

(3) the consistency determinations prepared by the Bureau of Ocean Energy Management under section 307 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1456) for Lease Sale 261 for the States of Texas, Louisiana, Mississippi, Alabama, and Florida shall satisfy the Secretary's obligations under that section (16 U.S.C. 1456).

(d) WAIVER OF CERTAIN REQUIREMENTS UNDER OUTER CONTINENTAL SHELF LANDS ACT.—The Secretary may waive any requirement under the Outer Continental Shelf Lands Act that the Secretary determines would delay issuance of a lease under a lease sale held under this section.

(e) ISSUANCE OF LEASES.—If the Secretary receives an acceptable bid for an area offered in a lease sale held under this section, the Secretary shall—

(1) in accordance with section 8 of the Outer Continental Shelf Lands Act (43 U.S.C. 1337), accept the highest acceptable bid for such area; and

(2) not later than 90 days after the date on which the applicable lease sale ends, issue a lease of the area to the highest responsible qualified bidder.

(f) NOMINATION OF AREAS FOR INCLUSION IN LEASE SALE BY GOVERNOR.—

(1) IN GENERAL.—The Secretary shall establish a process through which the Governor of a State may nominate for leasing under a lease sale held under this section an area of the outer Continental Shelf that is—

(A) adjacent to the waters of the State; and

(B) unleased and available for leasing.

(2) INCLUSION OF NOMINATED AREA.—If under paragraph (1) the Governor of a State nominates an area described in that paragraph for leasing under a lease sale held under this section, the Secretary shall include the area in the next scheduled lease sale under subsection (a)(1)(D).

(g) GEOLOGICAL AND GEOPHYSICAL SURVEYS.—Not later than 30 days after the date on which the Secretary receives a complete application pursuant to section 551.5 of title 30, Code of Federal Regulations (as in effect on September 22, 2015), to conduct a geological or geophysical survey pursuant to oil and gas activities on the outer Continental Shelf, the Secretary shall approve such application.

(h) LEASE SALE 259 AND LEASE SALE 261 LEASES.—

(1) LEASING REVENUE CERTAINTY.—A lease awarded under Lease Sale 259 or Lease Sale 261, which has been fully executed by the Secretary, shall not be set aside, vacated, enjoined, suspended, or cancelled except in accordance with section 5 of the Outer Continental Shelf Lands Act (43 U.S.C. 1334).

(2) NO ADDITIONAL TERMS OR CONDITIONS.—The Secretary shall not impose any additional terms or conditions on a lease awarded under Lease Sale 259 or Lease Sale 261, which has been fully executed by the Secretary, that were not included in the Bureau of Ocean Energy Management final notice of sale titled "Gulf of Mexico Outer Continental Shelf Oil and Gas Lease Sale 259" (88 Fed. Reg. 12404; published Feb. 27, 2023) or the final notice of sale titled "Gulf of Mexico Outer Continental Shelf Oil and Gas Lease Sale 261" (88 Fed. Reg. 80750; published on Nov. 20, 2023).

(i) JUDICIAL REVIEW.—Section 23(c)(2) of the Outer Continental Shelf Lands Act (43 U.S.C. 1349(c)(2)) is amended to read as follows:

"(2) Any action of the Secretary to approve, require modification of, or disapprove any exploration plan, development and production plan, bidding procedure, lease sale, lease issuance, or permit or authorization related to oil and gas exploration, development, or production under this Act, or any inaction by the Secretary resulting in the failure to hold a lease sale under any Federal law requiring oil and gas lease sales on the outer Continental Shelf, shall be subject to judicial review only in a United States court of appeals for a circuit in which an affected State is located.".

(j) DEFINITIONS.—In this section:

(1) ACCEPTABLE BID.—The term "acceptable bid" means a bid that meets the requirements of the document published by the Bureau of Ocean Energy Management titled "Summary of Procedures for Determining Bid Adequacy at Offshore Oil and Gas Lease Sales Effective March 2016, with Central Gulf of Mexico Sale 241 and Eastern Gulf of Mexico Sale 226".

(2) BIOLOGICAL OPINION.—The term "Biological Opinion"—

(A) means the biological opinion issued by the National Marine Fisheries Service titled "Biological Opinion on the Federally Regulated Oil and Gas Program Activities in the Gulf of Mexico" and the incidental take statement associ-

ated with such biological opinion (published March 12, 2020, and updated April 26, 2021); and

(B) does not include sections 3.3.1 through 3.3.3 of such biological opinion.

(3) LEASE.—The term "lease" means an oil and gas lease.

(4) LEASE SALE 259.—The term "Lease Sale 259" means the lease sale held by the Bureau of Ocean Energy Management on March 29, 2023.

(5) LEASE SALE 261.—The term "Lease Sale 261" means the lease sale held by the Bureau of Ocean Energy Management on December 20, 2023.

(6) OUTER CONTINENTAL SHELF.—The term "outer Continental Shelf" has the meaning given such term in section 2 of the Outer Continental Shelf Lands Act (43 U.S.C. 1331).

(7) SECRETARY.—The term "Secretary" means the Secretary of the Interior.

SEC. 80172. OFFSHORE COMMINGLING.

The Secretary of the Interior shall approve operator requests to commingle production from multiple reservoirs within a single wellbore completed on the Outer Continental Shelf of the Gulf of America unless conclusive evidence establishes that such commingling—

(1) could not be conducted in a safe manner; or

(2) would result in the ultimate recovery from such formations being reduced.

SEC. 80173. LIMITATIONS ON AMOUNT OF DISTRIBUTED QUALIFIED OUTER CONTINENTAL SHELF REVENUES.

Section 105(f)(1) of the Gulf of Mexico Energy Security Act of 2006 (43 U.S.C. 1331 note) is amended—

(1) in subparagraph (B), by striking "and" at the end;

(2) in subparagraph (C), by striking "2055." and inserting "2024;"; and

(3) by adding at the end the following:

"(D) $650,000,000 for each of fiscal years 2025 through 2034; and

"(E) $500,000,000 for each of fiscal years 2035 through 2055.".

PART IX—RENEWABLE ENERGY

SEC. 80181. RENEWABLE ENERGY FEES ON FEDERAL LANDS.

(a) ACREAGE RENT FOR WIND AND SOLAR RIGHTS-OF-WAY.—

(1) IN GENERAL.—Under the second sentence of section 504(g) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1764(g)), the Secretary shall, subject to paragraph (3) and not later than January 1 of each calendar year, collect from the holder of a right-of-way for a renewable energy project an acreage rent in an amount based on the equation described in paragraph (2).

(2) CALCULATION OF ACREAGE RENT RATE.—

(A) EQUATION.—The amount of an acreage rent collected under paragraph (1) shall be determined using the following equation: Acreage rent = $A \times B \times ((1 + C)^D)$.

(B) DEFINITIONS.—For purposes of subparagraph (A):

(i) The letter "A" means the Per-Acre Rate.

(ii) The letter "B" means the Encumbrance Factor.

(iii) The letter "C" means the Annual Adjustment Factor.

(iv) The letter "D" means the year in the term of the right-of-way.

(3) PAYMENT UNTIL PRODUCTION.—The holder of a right-of-way for a renewable energy project shall pay an acreage rent collected under paragraph (1) until the date on which energy generation begins.

(b) CAPACITY FEES.—

(1) IN GENERAL.—The Secretary shall, subject to paragraph (2), annually collect a capacity fee from the holder of a right-of-way for a renewable energy project based on the amount described in paragraph (2).

(2) CALCULATION OF CAPACITY FEE.—The amount of a capacity fee collected under paragraph (1) shall be equal to the greater of—

(A) an amount equal to the acreage rent described in subsection (a); and

(B) 4.58 percent of the gross proceeds from the sale of electricity produced by the renewable energy project.

(3) MULTIPLE-USE REDUCTION FACTOR.—

(A) APPLICATION.—The holder of a right-of-way for a wind energy generation project may request that the Secretary apply a 10-percent Multiple-Use Reduction Factor to the amount of a capacity fee determined under paragraph (2) by submitting to the Secretary an application for approval.

(B) APPROVAL.—The Secretary may approve an application submitted under subparagraph (A) if not less than 25 percent of the land within the area of the right-of-way is authorized for use, occupancy, or development with respect to an activity other than the generation of wind energy for the entirety of the year in which the capacity fee is collected.

(C) LATE DETERMINATION.—If the Secretary approves an application under subparagraph (B) for a wind energy generation project after the date on which the holder of the right-of-way for the project begins paying a capacity fee, the Secretary shall apply the Multiple-Use Reduction Factor to the capacity fee in the following years. Under this subparagraph, the Secretary may not refund the holder of a right-of-way for the difference in the amount of a capacity fee paid in a previous year.

(c) LATE PAYMENT FEE; TERMINATION.—

(1) IN GENERAL.—The Secretary may charge the holder of a right-of-way for a renewable energy project a late payment fee if the Secretary does not receive payment for the acreage rent under subsection (a) or the capacity fee under subsection (b) by the date that is 15 days after the date on which the payment was due.

(2) TERMINATION OF RIGHT-OF-WAY.—The Secretary may terminate a right-of-way for a renewable energy project if the Secretary does not receive payment for the acreage rent under subsection (a) or the capacity fee under subsection (b) by the date that is 90 days after the date on which the payment was due.

(d) REVENUE ACCURACY, TRANSPARENCY, AND ACCOUNTABILITY.—The Secretary shall document, verify, and make publicly available the respective amount of wind and solar energy revenues collected under this section on the Department of the Interior's Natural Resources Revenue Data website.

(e) ENSURING FEE CERTAINTY.—Section 3103 of the Energy Act of 2020 (43 U.S.C. 3003) is repealed.

(f) DEFINITIONS.—In this section:

(1) ANNUAL ADJUSTMENT FACTOR.—The term "Annual Adjustment Factor" means 3 percent.

(2) ENCUMBRANCE FACTOR.—The term "Encumbrance Factor" means—

(A) 100 percent for solar energy generation facilities; and

(B) 10 percent for wind energy generation facilities.

(3) PER-ACRE RATE.—The term "Per-Acre Rate" means the average of per-acre pastureland rental rates published in the Cash Rents Survey by the National Agricultural Statistics Service for the State in which the right-of-way is located over the 5 calendar-year period preceding the issuance or renewal of the right-of-way.

(4) PROJECT.—The term "project" means a system described in section 2801.9(a)(4) of title 43, Code of Federal Regulations (as such section is in effect on the date of the enactment of this Act).

(5) PUBLIC LANDS.—The term "public lands" means—

(A) public lands as such term is defined in section 103 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1702); and

(B) the lands of the National Forest System as described in section 11(a) of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1609(a)).

(6) RENEWABLE ENERGY PROJECT.—The term "renewable energy project" means a project located on public lands that uses wind or solar energy to generate energy.

(7) RIGHT-OF-WAY.—The term "right-of-way" has the meaning given such term in section 103 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1702).

(8) SECRETARY.—The term "Secretary" means—

(A) the Secretary of the Interior with respect to land controlled or administered by the Secretary of the Interior; or

(B) the Secretary of Agriculture with respect to the lands of the National Forest System controlled or administered by the Secretary of Agriculture.

SEC. 80182. RENEWABLE ENERGY REVENUE SHARING.

(a) DISPOSITION OF REVENUE.—

(1) DISPOSITION OF REVENUES.—Beginning on January 1, 2026, the amounts collected from a renewable energy project as

bonus bids, rentals, fees, or other payments under a right-of-way, permit, lease, or other authorization shall be—

(A) deposited in the general fund of the Treasury; and

(B) without further appropriation or fiscal year limitation, allocated as follows:

(i) 25 percent shall be paid from amounts in the general fund of the Treasury to the State within the boundaries of which the revenue is derived.

(ii) 25 percent shall be paid from amounts in the general fund of the Treasury to each county within the boundaries of which the revenue is derived, to be allocated among each such county based on the percentage of land from which the revenue is derived.

(2) PAYMENTS TO STATES AND COUNTIES.—

(A) IN GENERAL.—The amounts paid to States and counties under paragraph (1) shall be used consistent with section 35 of the Mineral Leasing Act (30 U.S.C. 191).

(B) PAYMENTS IN LIEU OF TAXES.—A payment to a county under paragraph (1) shall be in addition to a payment in lieu of taxes received by the county under chapter 69 of title 31, United States Code.

(C) TIMING.—The amounts required to be paid under paragraph (1)(B) for an applicable fiscal year shall be made available not later than the fiscal year that immediately follows the fiscal year for which the amounts were collected.

(b) DEFINITIONS.—In this section:

(1) COVERED LAND.—The term "covered land" means land that is—

(A) public lands administered by the Secretary; and

(B) not excluded from the development of solar or wind energy under—

(i) a land use plan; or

(ii) other Federal law.

(2) PUBLIC LANDS.—The term "public lands" means—

(A) public lands as such term is defined in section 103 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1702); and

(B) lands of the National Forest System as described in section 11(a) of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1609(a)).

(3) RENEWABLE ENERGY PROJECT.—The term "renewable energy project" means a system described in section 2801.9(a)(4) of title 43, Code of Federal Regulations (as such section is in effect on the date of the enactment of this Act), located on covered land that uses wind or solar energy to generate energy.

(4) SECRETARY.—The term "Secretary" means—

(A) the Secretary of the Interior with respect to land controlled or administered by the Secretary of the Interior; or

(B) the Secretary of Agriculture with respect to the lands of the National Forest System controlled or administered by the Secretary of Agriculture.

Subtitle B—Water, Wildlife, and Fisheries

SEC. 80201. RESCISSION OF FUNDS FOR INVESTING IN COASTAL COMMUNITIES AND CLIMATE RESILIENCE.

There is hereby rescinded the unobligated balance of funds made available by section 40001 of Public Law 117–169.

SEC. 80202. RESCISSION OF FUNDS FOR FACILITIES OF NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION AND NATIONAL MARINE SANCTUARIES.

There is hereby rescinded the unobligated balance of funds made available by section 40002 of Public Law 117–169.

SEC. 80203. SURFACE WATER STORAGE ENHANCEMENT.

In addition to amounts otherwise available, there is appropriated to the Secretary of the Interior, acting through the Commissioner of Reclamation, for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $2,000,000,000, to remain available through September 30, 2034, for construction and associated activities that increase the capacity of existing Bureau of Reclamation surface water storage facilities, in a manner as determined by the Secretary: *Provided,* That, for the purposes of section 203 of the Reclamation Reform Act of 1982 (43 U.S.C. 390cc) or section 3404(a) of the Reclamation Projects Authorization and Adjustment Act of 1992 (Public Law 102–575), a contract or agreement entered into pursuant to this section shall not be treated as a new or amended contract. None of the funds provided under this section shall be reimbursable or subject to matching or cost-share requirements.

SEC. 80204. WATER CONVEYANCE ENHANCEMENT.

In addition to amounts otherwise available, there is appropriated to the Secretary of the Interior, acting through the Commissioner of Reclamation, for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, $500,000,000, to remain available through September 30, 2034, for construction and associated activities that restore or increase the capacity of existing Bureau of Reclamation conveyance facilities, in a manner as determined by the Secretary. None of the funds provided under this section shall be reimbursable or subject to matching or cost-share requirements.

Subtitle C—Federal Lands

SEC. 80301. PROHIBITION ON THE IMPLEMENTATION OF THE ROCK SPRINGS FIELD OFFICE, WYOMING, RESOURCE MANAGEMENT PLAN.

The Secretary of the Interior shall not implement, administer, or enforce the Record of Decision and Approved Resource Management Plan referred to in the notice of availability titled "Notice of Availability of the Record of Decision and Approved Resource Management Plan for the Rock Springs Field Office, Wyoming" published by the Bureau of Land Management on January 7, 2025 (80 Fed. Reg. 1186).

SEC. 80302. PROHIBITION ON THE IMPLEMENTATION OF THE BUFFALO FIELD OFFICE, WYOMING, RESOURCE MANAGEMENT PLAN.

The Secretary of the Interior shall not implement, administer, or enforce the Record of Decision and Approved Resource Management Plan Amendment referred to in the notice of availability titled "Notice of Availability of the Record of Decision and Approved Resource Management Plan Amendment for the Buffalo Field Office, Wyoming" published by the Bureau of Land Management on November 27, 2024 (89 Fed. Reg. 93650).

SEC. 80303. PROHIBITION ON THE IMPLEMENTATION OF THE MILES CITY FIELD OFFICE, MONTANA, RESOURCE MANAGEMENT PLAN.

The Secretary of the Interior shall not implement, administer, or enforce the Record of Decision and Approved Resource Management Plan Amendment referred to in the notice of availability titled "Notice of Availability of the Record of Decision and Approved Resource Management Plan Amendment for the Miles City Field Office, Montana" published by the Bureau of Land Management on November 27, 2024 (89 Fed. Reg. 93650).

SEC. 80304. PROHIBITION ON THE IMPLEMENTATION OF THE NORTH DAKOTA RESOURCE MANAGEMENT PLAN.

The Secretary of the Interior shall not implement, administer, or enforce the Record of Decision and Approved Resource Management Plan referred to in the notice of availability titled "Record of Decision and Approved Resource Management Plan for the North Dakota Resource Management Plan/Environmental Impact Statement, North Dakota" published by the Bureau of Land Management on January 15, 2025 (90 Fed. Reg. 3915).

SEC. 80305. PROHIBITION ON THE IMPLEMENTATION OF THE COLORADO RIVER VALLEY FIELD OFFICE AND GRAND JUNCTION FIELD OFFICE RESOURCE MANAGEMENT PLANS.

The Secretary of the Interior shall not implement, administer, or enforce the Records of Decision and Approved Resource Management Plans referred to in the notice of availability titled "Availability of the Records of Decision and Approved Resource Management Plans for the Grand Junction Field Office and the Colorado River Valley Field Office, Colorado" published by the Bureau of Land Management on October 22, 2024 (89 Fed. Reg. 84385).

SEC. 80306. RESCISSION OF FOREST SERVICE FUNDS.

There is hereby rescinded the unobligated balances of amounts made available by section 23001(a)(4) of Public Law 117–169.

SEC. 80307. RESCISSION OF NATIONAL PARK SERVICE AND BUREAU OF LAND MANAGEMENT FUNDS.

There is hereby rescinded the unobligated balances of amounts made available by section 50221 of Public Law 117–169.

SEC. 80308. RESCISSION OF BUREAU OF LAND MANAGEMENT AND NATIONAL PARK SERVICE FUNDS.

There is hereby rescinded the unobligated balances of amounts made available by section 50222 of Public Law 117–169.

SEC. 80309. RESCISSION OF NATIONAL PARK SERVICE FUNDS.

There is hereby rescinded the unobligated balances of amounts made available by section 50223 of Public Law 117–169.

SEC. 80310. CELEBRATING AMERICA'S 250TH ANNIVERSARY.

In addition to amounts otherwise available, there is appropriated to the Secretary of the Interior for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available through fiscal year 2028—

(1) $150,000,000 for events, celebrations, and activities related to the observance and commemoration of the 250th anniversary of the founding of the United States; and

(2) $40,000,000 to carry out Executive Order 13934 of July 3, 2020 (85 Fed. Reg. 41165), Executive Order 13978 of January 18, 2021 (86 Fed. Reg. 6809), and Executive Order 14189 of January 29, 2025 (90 Fed. Reg. 8849) to establish and maintain a statuary park to be known as the National Garden of American Heroes.

SEC. 80311. LONG-TERM CONTRACTS FOR THE FOREST SERVICE.

(a) IN GENERAL.—For each of fiscal years 2025 through 2034, the Chief of the Forest Service (in this section referred to as the "Chief") shall enter into not less than one long-term contract or agreement with private persons or other public or private entities under section 14(a) of the National Forest Management Act (16 U.S.C. 472a(a)) with respect to covered National Forest System lands in each region of the Forest Service that contains covered National Forest System lands.

(b) TERMS.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the Chief shall enter into contracts or agreements under subsection (a) in accordance with section 3903 of title 41, United States Code, and section 14 of the National Forest Management Act (16 U.S.C. 472a).

(2) CONTRACT LENGTH.—The period of a contract or agreement under subsection (a) shall be for at least 20 years, with options for extensions and renewals as determined by the Chief.

(3) CANCELLATION CEILINGS.—A contract or agreement entered into under subsection (a) shall include provisions for a cancellation ceiling consistent with section 604(d) of the Healthy Forests Restoration Act of 2003 (16 U.S.C. 6591c(d)).

(c) RECEIPTS.—Any monies derived from an agreement or contract under this section by the Chief shall be deposited in the general fund of the Treasury.

(d) COVERED NATIONAL FOREST SYSTEM LANDS DEFINED.—In this section, the term "covered National Forest System lands" means the proclaimed National Forest System lands reserved or withdrawn from the public domain of the United States.

SEC. 80312. LONG-TERM CONTRACTS FOR THE BUREAU OF LAND MANAGEMENT.

(a) IN GENERAL.—For each of fiscal years 2025 through 2034, the Director of the Bureau of Land Management (in this section referred to as the "Director") shall enter into not less than one long-term contract or agreement with private persons or other public or private entities under section 1 of the Materials Act of 1947 (30 U.S.C. 601) with respect to vegetative materials on covered public lands.

(b) TERMS.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the Director shall enter into contracts or agreements under subsection (a) in accordance with section 3903 of title 41, United States Code, and section 2(a) of the Materials Act of 1947 (30 U.S.C. 602(a)).

(2) CONTRACT LENGTH.—The period of a contract or agreement under subsection (a) shall be for at least 20 years, with options for extensions and renewals as determined by the Director.

(3) CANCELLATION CEILINGS.—A contract or agreement entered into under subsection (a) shall include provisions for a cancellation ceiling consistent with section 604(d) of the Healthy Forests Restoration Act of 2003 (16 U.S.C. 6591c(d)).

(c) RECEIPTS.—Any monies derived from an agreement or contract under this section by the Director shall be deposited in the general fund of the Treasury.

(d) COVERED PUBLIC LANDS DEFINED.—The term "covered public lands" has the meaning given the term "public lands" in section 103 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1702), except that the term includes Coos Bay Wagon Road Grant lands and Oregon and California Railroad Grant lands.

SEC. 80313. TIMBER PRODUCTION FOR THE FOREST SERVICE.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this title, the Secretary of Agriculture, acting through the Chief of the Forest Service or their designee, shall direct timber harvest on covered National Forest System lands in amounts that—

(1) in total, equal or exceed the volume that is 25 percent higher than the total volume harvested on such lands during fiscal year 2024; and

(2) are in accordance with the applicable forest plan, including the allowable sale quantity or probable sale quantity, as applicable, of timber applicable to such lands on the date of enactment of this title.

(b) DEFINITIONS.—In this section:

(1) COVERED NATIONAL FOREST SYSTEM LANDS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term "covered National Forest System lands" means the proclaimed National Forest System lands reserved or withdrawn from the public domain of the United States.

(B) EXCLUSIONS.—The term "covered National Forest System lands" does not include lands—

(i) that are included in the National Wilderness Preservation System;

(ii) that are located within a national or State-specific inventoried roadless area established by the Secretary of Agriculture through regulation, unless—

(I) the forest management activity to be carried out under such authority is consistent with the forest plan applicable to the area; or

(II) the activity is allowed under the applicable roadless rule governing such lands, including—

(aa) the Idaho roadless rule under subpart C of part 294 of title 36, Code of Federal Regulations;

(bb) the Colorado roadless rule under subpart D of part 294 of title 36, Code of Federal Regulations; or

(cc) any other roadless rule developed after the date of the enactment of this section by the Secretary with respect to a specific State; or

(iii) on which timber harvesting for any purpose is prohibited by Federal statute.

(2) FOREST PLAN.—The term "forest plan" means a land and resource management plan prepared by the Forest Service for a unit of the National Forest System pursuant to section 6 of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1604).

SEC. 80314. TIMBER PRODUCTION FOR THE BUREAU OF LAND MANAGEMENT.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this title, the Secretary of the Interior, acting through the Director of the Bureau of Land Management or their designee, shall direct timber harvest on covered public lands in amounts that—

(1) in total, equal or exceed the volume that is 25 percent higher than the total volume harvested on such lands during fiscal year 2024; and

(2) are in accordance with the applicable forest plan.

(b) DEFINITIONS.—In this section:

(1) COVERED PUBLIC LANDS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term "covered public lands" has the meaning given the term "public lands" in section 103 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1702), except that the term includes Coos Bay Wagon Road Grant lands and Oregon and California Railroad Grant lands.

(B) EXCLUSIONS.—The term "covered public lands" does not include lands—

(i) that are included in the National Wilderness Preservation System; or

(ii) on which timber harvesting for any purpose is prohibited by Federal statute.

(2) FOREST PLAN.—The term "forest plan" means a land use plan prepared by the Bureau of Land Management for public lands pursuant to section 202 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1712).

SEC. 80315. BUREAU OF LAND MANAGEMENT LAND IN NEVADA.

(a) LYON COUNTY.—

(1) IN GENERAL.—Not later than 2 years after the date of enactment of this title, the Secretary of the Interior (referred to in this section as the "Secretary"), in accordance with this section and the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701), shall identify and offer for sale to the City

of Fernley, Nevada, all right, title, and interest of the United States in and to the Federal land—

(A) located in Lyon County, Nevada; and

(B) identified as "Fernley Land Conveyance Boundary" on the map entitled "Fernley Economic Development Act" and dated October 6, 2020.

(2) COSTS.—As a condition of the conveyance of the Federal land under paragraph (1), the City of Fernley, Nevada, shall pay—

(A) an amount equal to the appraised value determined in accordance with subsection (e)(2); and

(B) all costs related to the conveyance of the Federal land to the City, including all surveys, appraisals, and other associated administrative costs.

(b) CLARK COUNTY.—

(1) IN GENERAL.—Not later than 2 years after the date of enactment of this title, the Secretary, in accordance with this section and the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701), shall identify and offer for sale all right, title, and interest of the United States in and to Federal land located in Clark County, Nevada that has been identified—

(A) as suitable for disposal in the Las Vegas Resource Management Plan in existence on the date of enactment of this title; or

(B) as "Modified Existing Disposal" on the map entitled "Southern Nevada Economic Development and Conservation Act Disposal Map" and dated February 6, 2025.

(2) COMPLIANCE WITH LOCAL PLANNING AND ZONING LAWS.—Before carrying out a sale of Federal land under paragraph (1), Clark County shall submit to the Secretary a certification that any entity selected to purchase land through a competitive bidding process under subsection (e)(1)(A)has agreed to comply with—

(A) zoning ordinances of the county; and

(B) any master plan for the area approved by the county or region.

(3) AFFORDABLE HOUSING.—

(A) IN GENERAL.—Upon the request Clark County, the Secretary shall make the Federal land identified as "Modified Existing Disposal" on the map entitled "Southern Nevada Economic Development and Conservation Act Disposal Map" and dated February 6, 2025 available at less than fair market value for affordable housing, in accordance with section 7(b) of the Southern Nevada Public Land Management Act of 1998 (Public Law 105–263; 112 Stat. 2349).

(B) EXEMPTION FROM NOTICE OF REALTY ACTION REQUIREMENT.—If any entity seeks to use covered land for affordable housing purposes under subparagraph (A), the entity—

(i) shall not be required to comply notice of realty action requirements with respect to the covered land; but

(ii) before using the covered land for affordable housing purposes, shall provide for a period of not less than 14 days adequate public notice of the use of the covered land.

(4) SAVINGS CLAUSE.—Nothing in this section shall be construed to affect Federal lands previously identified for disposal under the Southern Nevada Public Land Management Act of 1998 (Public Law 105–263; 112 Stat. 2343) nor the disposition of proceeds for such lands prior to the date of enactment of this title.

(c) WASHOE COUNTY.—

(1) IN GENERAL.—Not later than 2 years after the date of enactment of this title, the Secretary, in accordance with this section and the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701), shall identify and offer for sale all right, title, and interest of the United States in and to Federal land located in Washoe County, Nevada, that has been identified—

(A) as suitable for disposal in the Carson City Consolidated Resource Management Plan in existence on the date of enactment of this title; or

(B) as "BLM Land for Disposal" on the map entitled "Washoe County Land Disposals" and dated February 7, 2025.

(2) EVALUATION OF ADDITIONAL LAND FOR POTENTIAL DISPOSAL.—

(A) IN GENERAL.—The Secretary shall, not later than 1 year after the date of enactment of this title, evaluate the parcels of Federal land depicted as "Additional BLM Land Potentially Available for Disposal" on the map entitled "Washoe County Land Disposals" and dated February 7, 2025, to assess the suitability of the evaluated Federal land for disposal in accordance with section 203(a) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1713(a)).

(B) SALE.—The parcels of Federal land identified by the Secretary as suitable for disposal under subparagraph (A) may be offered for sale in accordance with this section.

(3) JOINT SELECTION REQUIRED; DETERMINATION REGARDING SUITABILITY FOR AFFORDABLE HOUSING.—

(A) IN GENERAL.—The Secretary and Washoe County shall jointly select which parcels of the Federal land described in paragraph (2)(A) and identified as suitable for disposal in subparagraph (B) to offer for sale under this subsection.

(B) DETERMINATION.—During the selection process under subparagraph (A), the Secretary and Washoe County shall evaluate whether any parcels of the Federal land described in that subparagraph are suitable for affordable housing.

(C) CONVEYANCE.—If a parcel of Federal land is determined to be suitable for affordable housing under subparagraph (B), on request of a State or local governmental entity, the applicable parcel of Federal land shall be made available at less than fair market value to the governmental entity in accordance with section 7(b) of the South-

ern Nevada Public Land Management Act of 1998 (Public Law 105–263; 112 Stat. 2349).

(D) SURVEY.—The exact acreage and legal description of a parcel of Federal land to be conveyed under subparagraph (C) shall be determined by a survey satisfactory to the Secretary.

(4) COMPLIANCE WITH LOCAL PLANNING AND ZONING LAWS.—Before carrying out a sale of Federal land under paragraph (2), Washoe County shall submit to the Secretary a certification that any entity selected to purchase land through a competitive bidding process under subsection (e)(1)(A) has agreed to comply with—

(A) Washoe County zoning ordinances; and

(B) any master plan for the area approved by Washoe County or region.

(5) POSTPONEMENT; EXCLUSION FROM SALE.—At the request of Washoe County, the Secretary shall postpone or exclude from sale all or a portion of the Federal land described in paragraph (2).

(6) AFFORDABLE HOUSING.—

(A) DETERMINATION REGARDING SUITABILITY FOR AFFORDABLE HOUSING.—Not later than 90 days after the date of enactment of this title, the Secretary shall conduct a review of the Federal land described in subparagraph (C) to determine the suitability of the Federal land for affordable housing.

(B) AUTHORIZATION.—Upon the request of a State or local governmental entity, the Secretary shall make the Federal land described in subparagraph (C) available at less than fair market value for affordable housing, in accordance with section 7(b) of the Southern Nevada Public Land Management Act of 1998 (Public Law 105–263; 112 Stat. 2349).

(C) DESCRIPTION OF FEDERAL LAND.—The Federal land referred to in subparagraphs (A) and (B) is the land identified as "BLM Land for Disposal Only for Affordable Housing" on the map entitled "Washoe County Land Disposals" and dated February 7, 2025.

(D) EXEMPTION FROM NOTICE OF REALTY ACTION REQUIREMENT.—If any entity seeks to use covered land for affordable housing purposes under subparagraph (B), the entity—

(i) shall not be required to comply notice of realty action requirements with respect to the covered land; but

(ii) before using the covered land for affordable housing purposes, shall provide for a period of not less than 14 days adequate public notice of the use of the covered land.

(d) PERSHING COUNTY CHECKERBOARD RESOLUTION AND DISPOSAL.—

(1) SALE OR EXCHANGE OF ELIGIBLE LAND.—

(A) AUTHORIZATION OF CONVEYANCE.—Not later than 2 years after the date of the enactment of this title, the Sec-

retary, in accordance with this section and subject to valid existing rights, shall conduct sales or exchanges of all right, title, and interest of the United States in and to the eligible land.

(B) JOINT SELECTION REQUIRED.—After providing public notice, the Secretary and the County shall jointly select parcels of eligible land to be offered for sale or exchange under subparagraph (A).

(C) LAND EXCHANGES.—

(i) IN GENERAL.—An exchange of eligible land under subparagraph (A) shall be consistent with section 206(a) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1716).

(ii) EQUAL VALUE EXCHANGE.—

(I) IN GENERAL.—The value of the eligible land and private land to be exchanged under subparagraph (A)—

(aa) shall be equal; or

(bb) shall be made equal in accordance with subclause (II).

(II) EQUALIZATION.—

(aa) SURPLUS OF ELIGIBLE LAND.—With respect to the eligible land and private land to be exchanged under subparagraph (A), if the value of the eligible land exceeds the value of the private land, the value of the eligible land and the private land shall be equalized by—

(AA) the owner of the private land making a cash equalization payment to the Secretary;

(BB) adding private land to the exchange; or

(CC) removing eligible land from the exchange.

(bb) SURPLUS OF PRIVATE LAND.—With respect to the eligible land and private land to be exchanged under subparagraph (A), if the value of the private land exceeds the value of the eligible land, the value of the private land and the eligible land shall be equalized by—

(AA) the Secretary making a cash equalization payment to the owner of the private land, in accordance with section 206(b) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1716(b));

(BB) adding eligible land to the exchange; or

(CC) removing private land from the exchange.

(iii) ADJACENT LAND.—To the extent practicable, the Secretary shall seek to enter into agreements with one or more owners of private land adjacent to the eligible land for the exchange of the private land for the eligi-

ble land, if the Secretary determines that the exchange would consolidate Federal land ownership and facilitate improved Federal land management.

(D) DEADLINE FOR SALE OR EXCHANGE; EXCLUSIONS.—

(i) DEADLINE.—Not later than 2 years after the date on which the eligible land is jointly selected under subparagraph (B), the Secretary shall offer for sale or exchange the parcels of eligible land jointly selected under that subparagraph.

(ii) POSTPONEMENT OR EXCLUSION.—The Secretary or the County may postpone or exclude from sale or exchange all or a portion of the eligible land jointly selected under subparagraph (B) for emergency ecological or safety reasons.

(2) SALE OF ENCUMBERED LAND.—

(A) AUTHORIZATION OF CONVEYANCE.—Not later than 2 years after the date of the enactment of this title and subject to valid existing rights held by third parties, the Secretary shall offer to convey to qualified entities, for fair market value, the remaining right, title, and interest of the United States, in and to the encumbered land.

(B) OFFER TO CONVEY.—Not later than 180 days after the date on which the Secretary receives a fair market offer from a qualified entity for the conveyance of encumbered land, the Secretary shall accept the fair market value offer.

(C) CONVEYANCE.—Not later than 180 days after the date of acceptance by the Secretary of an offer from a qualified entity under subparagraph (B) and completion of a sale for all or part of the applicable portion of encumbered land to the highest qualified entity, the Secretary, by delivery of an appropriate deed, patent, or other valid instrument of conveyance, shall convey to the qualified entity all remaining right, title, and interest of the United States in and to the applicable portion of the encumbered land.

(D) MERGER.—Subject to valid existing rights held by third parties, on delivery of the instrument of conveyance to the qualified entity under subparagraph (C), the prior interests in the locatable minerals and the right to use the surface for mineral purposes held by the qualified entity under a mining claim, millsite, tunnel site, or any other Federal land use authorization applicable to the encumbered land included in the instrument of conveyance, shall merge with all right, title, and interest conveyed to the qualified entity by the United States under this section to ensure that the qualified entity receives fee simple title to the purchased encumbered land.

(3) DEFINITIONS.—In this subsection:

(A) COUNTY.—The term "County" means Pershing County, Nevada.

(B) ELIGIBLE LAND.—The term "eligible land" means any land administered by the Secretary, acting through the Director of the Bureau of Land Management—

(i) that is within the area identified on the Map as "Checkerboard Lands Resolution Area" that is designated for disposal by the Secretary through—

(I) the Winnemucca Consolidated Resource Management Plan; or

(II) any subsequent amendment or revision to the management plan that is undertaken with full public involvement;

(ii) that is the land identified on the Map as "Additional Lands Eligible for Disposal"; and

(iii) that is not encumbered land.

(C) ENCUMBERED LAND.—The term "encumbered land" means any land administered by the Secretary, acting through the Director of the Bureau of Land Management, within the area identified on the Map as "Checkerboard Resolution Area" that is encumbered by mining claims, millsites, or tunnel sites.

(D) MAP.—The term "Map" means the map titled "Pershing County Checkerboard Lands Resolution" and dated July 8, 2024.

(E) QUALIFIED ENTITY.—The term "qualified entity" means, with respect to a portion of encumbered land—

(i) the owner of a mining claim, millsite, or tunnel site located on a portion of the encumbered land on the date of the enactment of this title; and

(ii) a successor in interest of an owner described in clause (i).

(e) APPRAISALS AND METHODS OF SALE.—

(1) METHOD OF SALE.—The sale or exchange of eligible lands under this section shall be—

(A) through a competitive bidding process;

(B) for not less than fair market value, in accordance with paragraphs (2) and (3); and

(C) subject to valid existing rights.

(2) APPRAISALS.—Any sales or exchanges carried out under this section shall be for not less than fair market value, based on an appraisal that is conducted in accordance with—

(A) the Uniform Appraisal Standards for Federal Land Acquisitions; and

(B) the Uniform Standards of Professional Appraisal Practice.

(3) MASS APPRAISALS.—Not later than 2 years after the date of the enactment of this title, and every 5 years thereafter, the Secretary shall—

(A) conduct a mass appraisal of eligible land to be sold or exchanged under this section;

(B) prepare an evaluation analysis for each land transaction under this section; and

(C) make available to the public the results of the mass appraisals conducted under subparagraph (A).

(f) COSTS.—The qualified entity or entity selected through a competitive bidding process to purchase or exchange land, as appropriate, shall pay all costs associated with sales or exchanges carried out under this section.

(g) DISPOSITION OF PROCEEDS.—Amounts received from the sale of land under this section shall be deposited in the general fund of the Treasury.

(h) MAP AND LEGAL DESCRIPTION.—

(1) IN GENERAL.—Not later than 2 years after the date of enactment of this title, the Secretary shall finalize the maps and legal descriptions of the land to be sold or exchanged under this section.

(2) CONTROLLING DOCUMENT.—In the case of a discrepancy between the maps and legal descriptions finalized under paragraph (1), the map shall control.

(3) CORRECTIONS.—The Secretary may correct minor errors in the maps or the legal descriptions finalized under paragraph (1).

(4) MAP ON FILE.—The maps and legal descriptions finalized under paragraph (1) shall be kept on file and available for public inspection in each appropriate office of the Bureau of Land Management.

(i) RULE OF CONSTRUCTION.—Nothing in this section shall be construed as authorizing the conveyance of any lands administered by the National Park Service.

SEC. 80316. FOREST SERVICE LAND IN NEVADA.

(a) IN GENERAL.—Not later than 2 years after the date of enactment of this title, the Secretary of Agriculture (referred to in this section as the "Secretary"), in accordance with this section, shall identify and offer for sale, subject to subsection (b), all right, title, and interest of the United States in and to covered Federal land located in Washoe County, Nevada.

(b) JOINT SELECTION REQUIRED; DETERMINATION REGARDING SUITABILITY FOR AFFORDABLE HOUSING.—

(1) IN GENERAL.—The Secretary and Washoe County shall jointly select which parcels of covered Federal land to offer for sale under subsection (a).

(2) DETERMINATION.—During the selection process under paragraph (1), the Secretary and Washoe County shall evaluate whether any parcels of the Federal land described in that paragraph are suitable for affordable housing.

(3) CONVEYANCE.—If a parcel of Federal land is determined to be suitable for affordable housing under paragraph (2), on request of a State or local governmental entity, the applicable parcel of Federal land shall be made available at less than fair market value to the governmental entity in accordance with section 7(b) of the Southern Nevada Public Land Management Act of 1998 (Public Law 105–263; 112 Stat. 2349).

(4) SURVEY.—The exact acreage and legal description of a parcel of Federal land to be conveyed under paragraph (3) shall be determined by a survey satisfactory to the Secretary.

(5) COMPLIANCE WITH LOCAL PLANNING AND ZONING LAWS.—Before carrying out a sale of covered Federal land under subsection (a), Washoe County shall submit to the Secretary a certification that any entity selected to purchase covered Federal land through a competitive bidding process under subsection (d)(1)(A) has agreed to comply with—

(A) Washoe County zoning ordinances; and

(B) any master plan for the area approved by Washoe County or region.

(6) POSTPONEMENT; EXCLUSION FROM SALE.—At the request of Washoe County, the Secretary shall postpone or exclude from sale all or a portion of the Federal land described in subsection (a).

(c) AFFORDABLE HOUSING.—

(1) DETERMINATION REGARDING SUITABILITY FOR AFFORDABLE HOUSING.—Not later than 90 days after the date of enactment of this title, the Secretary shall conduct a review of the additional Federal land to determine the suitability of the additional Federal land for affordable housing.

(2) AUTHORIZATION.—Upon the request of a State or local governmental entity and subject to valid existing rights, the Secretary shall make the additional Federal land available at less than fair market value for affordable housing, in accordance with section 7(b) of the Southern Nevada Public Land Management Act of 1998 (Public Law 105–263; 112 Stat. 2349).

(d) APPRAISALS AND METHOD OF SALE.—

(1) METHOD OF SALE.—The sale or exchange of any lands under this section shall be—

(A) through a competitive bidding process;

(B) except as provided in subsections (b)(3) and (c), for not less than fair market value, in accordance with paragraphs (2) and (3); and

(C) subject to valid existing rights.

(2) APPRAISALS.—Any sales or exchanges carried out under this section shall be for not less than fair market value, based on an appraisal that is conducted in accordance with—

(A) the Uniform Appraisal Standards for Federal Land Acquisitions; and

(B) the Uniform Standards of Professional Appraisal Practice.

(3) MASS APPRAISALS.—Not later than 2 years after the date of the enactment of this title, and every 5 years thereafter, the Secretary shall—

(A) conduct a mass appraisal of eligible land to be sold or exchanged under this section;

(B) prepare an evaluation analysis for each land transaction under this section; and

(C) make available to the public the results of the mass appraisals conducted under subparagraph (A).

(e) COSTS OF CONVEYANCE.—Any entity selected to purchase covered Federal land or additional Federal land under this section shall pay all costs associated with the sale.

(f) DISPOSITION OF PROCEEDS.—The proceeds from the sale of additional Federal land and covered Federal land required under this section shall be deposited in the general fund of the Treasury.

(g) MAP AND LEGAL DESCRIPTION.—

(1) IN GENERAL.—Not later than 2 years after the date of enactment of this title, the Secretary shall finalize the maps and legal descriptions of the additional Federal land and covered Federal land to be sold under this section.

(2) CONTROLLING DOCUMENT.—In the case of a discrepancy between the maps and legal descriptions finalized under paragraph (1), the map shall control.

(3) CORRECTIONS.—The Secretary and Washoe County, by mutual agreement, may correct minor errors in the maps or the legal descriptions finalized under paragraph (1).

(4) MAP ON FILE.—The maps and legal descriptions finalized under paragraph (1) shall be kept on file and available for public inspection in each appropriate office of the Bureau of Land Management.

(h) RULE OF CONSTRUCTION.—Nothing in this section shall be construed as authorizing the conveyance of any lands administered by the National Park Service.

(i) DEFINITIONS.—In this section:

(1) ADDITIONAL FEDERAL LAND.—The term "additional Federal land" means the Federal land identified as "USFS Land for Disposal Only for Affordable Housing" on the map entitled "Washoe County Land Disposals" and dated February 7, 2025.

(2) COVERED FEDERAL LAND.—The term "covered Federal land" means "USFS Land for Disposal" on the map entitled "Washoe County Land Disposal" and dated February 7, 2025.

SEC. 80317. FEDERAL LAND IN UTAH.

(a) CONVEYANCE OF BUREAU OF LAND MANAGEMENT LAND TO COVERED ENTITY.—Not later than 180 days after the date of enactment of this title, the Secretary shall convey to the covered entity all right, title, and interest of the United States in and to the covered land.

(b) REQUIREMENTS.—The conveyance of covered land under this section shall be—

(1) subject to valid existing rights; and

(2) for not less than fair market value, based on an appraisal that is conducted in accordance with—

(A) the Uniform Appraisal Standards for Federal Land Acquisitions; and

(B) the Uniform Standards of Professional Appraisal Practice.

(c) COSTS OF CONVEYANCE.—The covered entity shall pay all costs associated with the conveyances required under subsection (a).

(d) PROCEEDS FROM CONVEYANCE.—The proceeds from the conveyances required under subsection (a) shall be deposited in the general fund of the Treasury.

(e) MAP AND LEGAL DESCRIPTION.—

(1) IN GENERAL.—Not later than 120 days after the date of enactment of this title, the Secretary shall finalize the maps and legal descriptions of the covered land to be conveyed under this section.

(2) CONTROLLING DOCUMENT.—In the case of a discrepancy between the maps and legal descriptions finalized under paragraph (1), the map shall control.

(3) CORRECTIONS.—The Secretary and the covered entity, by mutual agreement, may correct minor errors in the maps or the legal descriptions finalized under paragraph (1).

(4) MAP ON FILE.—The maps and legal descriptions finalized under paragraph (1) shall be kept on file and available for public inspection in each appropriate office of the Forest Service.

(f) RULE OF CONSTRUCTION.—Nothing in this section shall be construed as authorizing the conveyance of any lands administered by the National Park Service.

(g) DEFINITIONS.—In this section:

(1) COVERED ENTITY.—The term "covered entity" means the following:

(A) Beaver County, Utah, with respect to covered land depicted on the map entitled "Beaver County Land Conveyance" and dated March 8, 2025.

(B) The City of St. George, Utah, with respect to covered land depicted on the map entitled "City of St. George, Utah, Land Conveyance" and dated March 28, 2025.

(C) Washington County, Utah, with respect to covered land depicted on—

(i) the map entitled "Washington County Land Conveyance - East Half" and dated April 11, 2025; and

(ii) the map entitled "Washington County Land Conveyance - West Half" and dated April 9, 2025.

(D) Washington County Water Conservancy District, with respect to covered land depicted on the map entitled "Washington County Water Conservancy District Land Conveyance" and dated March 27, 2025.

(2) COVERED LAND.—The term "covered land" means the following:

(A) On the map entitled "Beaver County Land Conveyance" and dated March 8, 2025, the following parcels:

(i) The approximately 10.32 acres depicted as "Parcel 1".

(ii) The approximately 10.81 acres depicted as "Parcel 2".

(iii) The approximately 40.83 acres depicted as "Parcel 3".

(B) On the map entitled "City of St. George, Utah, Land Conveyance" and dated March 28, 2025, the following parcels:

(i) The approximately 203.37 acres depicted as "Airport".

(ii) The approximately 16.48 acres depicted as "Brigham Road".

(iii) The approximately 9.57 acres depicted as "Curly Hollow".

(iv) The approximately 11.52 acres depicted as "Devario Site".

(v) The approximately 105.55 acres depicted as "Graveyard Dam".

(vi) The approximately 4.88 acres depicted as "Gunlock Arsenic Plant".

(vii) The approximately 1.17 acres depicted as "Gunlock Filter Station".

(viii) The approximately 0.92 acres depicted as "Gunlock#1".

(ix) The approximately 0.92 acres depicted as "Gunlock#2".

(x) The approximately 0.92 acres depicted as "Gunlock#3".

(xi) The approximately 0.92 acres depicted as "Gunlock#4".

(xii) The approximately 0.92 acres depicted as "Gunlock#5".

(xiii) The approximately 0.92 acres depicted as "Gunlock#6".

(xiv) The approximately 0.92 acres depicted as "Gunlock#7".

(xv) The approximately 1.1 acres depicted as "Gunlock#8".

(xvi) The approximately 0.92 acres depicted as "Gunlock#9".

(xvii) The approximately 0.92 acres depicted as "Gunlock#10".

(xviii) The approximately 4.34 acres depicted as "Man O War Connecter".

(xix) The approximately 36.56 acres depicted as "Sun River".

(xx) The approximately 31.22 acres depicted as "Treatment Plant".

(xxi) The approximately 3.75 acres depicted as "Virgin River Site".

(xxii) The approximately 82.27 acres depicted as "Western Corridor (100' ROW)".

(C) On the map entitled "Washington County Land Conveyance - East Half" and dated April 11, 2025, the following parcels:

(i) The approximately 330.58 acres depicted as "Parcel 1".

(ii) The approximately 287.02 acres depicted as "Parcel 2".

(iii) The approximately 279.72 acres depicted as "Parcel 3".

(iv) The approximately 10.67 acres depicted as "Parcel 4".

(v) The approximately 213.56 acres depicted as "Parcel 6".

(vi) The approximately 180.51 acres depicted as "Parcel 11".

(vii) The approximately 186.14 acres depicted as "Parcel 12".

(viii) The approximately 153.74 acres depicted as "Parcel 13".

(ix) The approximately 711.56 acres depicted as "Parcel 15".

(x) The approximately 52.28 acres depicted as "Parcel 16".

(xi) The approximately 197.52 acres depicted as "Parcel 17".

(xii) The approximately 311.5 acres depicted as "Parcel 19".

(xiii) The approximately 628.76 acres depicted as "Parcel 20".

(xiv) The approximately 364.31 acres depicted as "Parcel 21".

(xv) The approximately 921.52 acres depicted as "Parcel 22".

(xvi) The approximately 129.77 acres depicted as "Parcel 23".

(D) On the map entitled "Washington County Land Conveyance-West Half" and dated April 9, 2025, the following parcels:

(i) The approximately 338.6 acres depicted as "Parcel 5".

(ii) The approximately 487.13 acres depicted as "Parcel 7".

(iii) The approximately 121.08 acres depicted as "Parcel 8".

(iv) The approximately 64.58 acres depicted as "Parcel 9".

(v) The approximately 62.49 acres depicted as "Parcel 10".

(vi) The approximately 404.63 acres depicted as "Parcel 14".

(vii) The approximately 55.01 acres depicted as "Parcel 18".

(E) On the map entitled "Washington County Water Conservancy District Land Conveyance" and dated March 27, 2025, the following parcels:

(i) The approximately 35.955036 acres depicted as "Parcel 01".

(ii) The approximately 22.836384 acres depicted as "Parcel 02".

(iii) The approximately 29.321031 acres depicted as "Parcel 04".

(iv) The approximately 5.307719 acres depicted as "Parcel 05".

(v) The approximately 5.256227 acres depicted as "Parcel 06".

(vi) The approximately 18.162944 acres depicted as "Parcel 07".

(vii) The approximately 10.199554 acres depicted as "Parcel 08".

(viii) The approximately 32.490829 acres depicted as "Parcel 09".

(ix) The approximately 2.609287 acres depicted as "Parcel 10".

(x) The approximately 4.358646 acres depicted as "Parcel 11".

(xi) The approximately 534.961903 acres depicted as "Parcel 12".

(xii) The approximately 0.213103 acres depicted as "Parcel 13".

(xiii) The approximately 2.977254 acres depicted as "Parcel 14".

(xiv) The approximately 13.315086 acres depicted as "Parcel 15".

(xv) The approximately 418.173711 acres depicted as "Parcel 16".

(xvi) The approximately 3.00085 acres depicted as "Parcel 17".

(xvii) The approximately 8.453333 acres depicted as "Parcel 18".

(xviii) The approximately 10.754291 acres depicted as "Parcel 19".

(xix) The approximately 3.067501 acres depicted as "Parcel 20".

(xx) The approximately 4.995197 acres depicted as "Parcel 21".

(xxi) The approximately 11.596129 acres depicted as "Parcel 22".

(xxii) The approximately 3,197.320604 acres depicted as "Parcel 23".

(3) SECRETARY.—The term "Secretary" means the Secretary of the Interior, acting through the Director of the Bureau of Land Management.

TITLE IX—COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

SEC. 90001. INCREASE IN FERS EMPLOYEE CONTRIBUTION REQUIREMENTS.

Section 8422(a)(3) of title 5, United States Code, is amended—

(1) in subparagraph (A), by amending the table to read as follows:

''Employee	7	January 1, 1987, to December 31, 1998.
	7.25	January 1, 1999, to December 31, 1999.
	7.4	January 1, 2000, to December 31, 2000.
	7	January 1, 2001, to December 31, 2025.
	8.8	January 1, 2026, to December 31, 2026.
	10.6	After December 31, 2026.
Congressional employee	7.5	January 1, 1987, to December 31, 1998.
	7.75	January 1, 1999, to December 31, 1999.
	7.9	January 1, 2000, to December 31, 2000.
	7.5	January 1, 2001, to December 31, 2025.

	9.3	January 1, 2026, to December 31, 2026.
	11.1	After December 31, 2026.
Member	7.5	January 1, 1987, to December 31, 1998.
	7.75	January 1, 1999, to December 31, 1999.
	7.9	January 1, 2000, to December 31, 2000.
	8	January 1, 2001, to December 31, 2002.
	7.5	January 1, 2003, to December 31, 2025.
	9.3	January 1, 2026, to December 31, 2026.
	11.1	After December 31, 2026.
Law enforcement officer, Firefighter, member of the Capitol Police, member of the Supreme Court Police, or air traffic controller	7.5	January 1, 1987, to December 31, 1998.
	7.75	January 1, 1999, to December 31, 1999.
	7.9	January 1, 2000, to December 31, 2000.
	7.5	After December 31, 2000.
Nuclear materials courier	7	January 1, 1987, to October 16, 1998.
	7.5	October 17, 1998, to December 31, 1998.
	7.75	January 1, 1999, to December 31, 1999.
	7.9	January 1, 2000, to December 31, 2000.
	7.5	After December 31, 2000.
Customs and border protection officer	7.5	After June 29, 2008.''; and

(2) in subparagraph (B), by amending the table to read as follows:

''Employee	9.3	January 1, 2013, to December 31, 2025.
	9.95	January 1, 2026, to December 31, 2026.
	10.6	After December 31, 2026.
Congressional employee	9.3	January 1, 2013, to December 31, 2025.
	9.95	January 1, 2026, to December 31, 2026.
	10.6	After December 31, 2026.
Member	9.3	January 1, 2013, to December 31, 2025.
	9.95	January 1, 2026, to December 31, 2026.
	10.6	After December 31, 2026.

Law enforcement officer, Firefighter, member of the Capitol Police, member of the Supreme Court Police, or air traffic controller	9.8	After December 31, 2012.
Nuclear materials courier	9.8	After December 31, 2012.
Customs and border protection officer	9.8	After December 31, 2012.''.

SEC. 90002. ELIMINATION OF FERS ANNUITY SUPPLEMENT.

(a) IN GENERAL.—Section 8421(a) of title 5, United States Code, is amended—

(1) in paragraph (1), by inserting "separated from service under section 8425" after "individual"; and

(2) in paragraph (2), by inserting "separated from service under section 8425" after "an individual".

(b) APPLICABILITY.—The amendments made by this section shall not apply with respect to any individual entitled to an annuity supplement under section 8421 of title 5, United States Code, prior to the date of the enactment of this Act.

SEC. 90003. HIGH-5 AVERAGE PAY FOR CALCULATING CSRS AND FERS PENSION.

(a) CSRS.—Section 8331(4) of title 5, United States Code, is amended to read as follows:

"(4) 'average pay' means—

"(A) except as provided under subparagraph (B), the largest annual rate resulting from averaging an employee's or Member's rates of basic pay in effect over any 3 consecutive years of creditable service or, in the case of an annuity under subsection (d) or (e)(1) of section 8341 of this title based on service of less than 3 years, over the total service, with each rate weighted by the time it was in effect; and

"(B) with respect to an employee or Member who retires on or after January 1, 2027, other than an individual entitled to an annuity under subsection (c) or (e) of section 8336, the largest annual rate resulting from averaging an employee's or Member's rates of basic pay in effect over any 5 consecutive years of creditable service or, in the case of an annuity under subsection (d) or (e)(1) of section 8341 of this title based on service of less than 5 years, over the total service, with each rate weighted by the time it was in effect;".

(b) FERS.—Section 8401(3) of title 5, United States Code, is amended to read as follows:

"(3) the term 'average pay' means—

"(A) except as provided under subparagraph (B), the largest annual rate resulting from averaging an employee's or Member's rates of basic pay in effect over any 3 consecutive years of service or, in the case of an annuity under this chapter based on service of less than 3 years, over the total service, with each rate weighted by the period it was in effect; and

"(B) with respect to an employee or Member who retires on or after January 1, 2027, other than an individual entitled to an annuity under subsection (d) or (e) of section

8412, the largest annual rate resulting from averaging the employee's or Member's rates of basic pay in effect over any 5 consecutive years of service or, in the case of an annuity under this chapter based on service of less than 5 years, over the total service, with each rate weighted by the period it was in effect;".

(c) CONFORMING AMENDMENT.—Section 302(a) of the Federal Employee's Retirement System Act of 1986 (5 U.S.C. 8331 note) is amended by striking paragraph (6) and inserting the following:

"(6)(A) For purposes of any computation under paragraph (4) or (5), the average pay to be used shall be—

"(i) except as provided under clause (ii), the largest annual rate resulting from averaging the individual's rates of basic pay in effect over any 3 consecutive years of creditable service or, in the case of an annuity based on service of less than 3 years, over the total period of service so creditable, with each rate weighted by the period it was in effect; and

"(ii) with respect to an individual who retires on or after January 1, 2027, other than an individual entitled to an annuity under subsection (d) or (e) of section 8412 of title 5, United States Code, the largest annual rate resulting from averaging the individual's rates of basic pay in effect over any 5 consecutive years of creditable service or, in the case of an annuity based on service of less than 5 years, over the total period of service so creditable, with each rate weighted by the period it was in effect.

"(B) For purposes of subparagraph (A), service shall be considered creditable if it would be considered creditable for purposes of determining average pay under chapter 83 or 84 of title 5, United States Code.".

SEC. 90004. ELECTION FOR AT-WILL EMPLOYMENT AND LOWER FERS CONTRIBUTIONS FOR NEW FEDERAL CIVIL SERVICE HIRES.

(a) ELECTION.—

(1) IN GENERAL.—Subchapter I of chapter 33 of title 5, United States Code, is amended by adding at the end the following:

"§ 3330g. Election for at-will employment and lower FERS contributions

"(a) ELECTION.—

"(1) IN GENERAL.—Not later than the last day of the probationary period (if any) for an individual initially appointed to a covered position after the date of the enactment of this section, such individual may make an irrevocable election to be employed on an at-will basis, subject to the requirements of this section.

"(2) FAILURE TO MAKE ELECTION.—An individual who does not make the election under paragraph (1) shall be subject to the requirements of section 8422(a)(3)(D).

"(b) AT-WILL EMPLOYMENT.—Notwithstanding any other provision of law, including chapters 43 and 75 of this title, any indi-

vidual who makes an affirmative election under subsection (a)(1) shall—

"(1) be considered an at-will employee; and

"(2) may be subject to an adverse action up to and including removal, without notice or right to appeal, by the head of the agency at which the individual is employed for good cause, bad cause, or no cause at all.

"(c) APPLICATION OF OTHER LAWS.—Notwithstanding any other requirement of this section, this section shall not be construed to reduce, extinguish, or otherwise effect any right or remedy available to any individual who elects to be an at-will employee under subsection (a)(1) under any of the following provisions of law:

"(1) The protections relating to prohibited personnel practices (as that term is defined in section 2302).

"(2) The Congressional Accountability Act of 1995, in the case of employees of the legislative branch who are subject to this section.

"(d) COVERED POSITION.—In this section, the term 'covered position'—

"(1) means—

"(A) any position in the competitive service;

"(B) a career appointee position in the Senior Executive Service;

"(C) a position in the excepted service; and

"(2) does not include any position—

"(A) excepted from the competitive service because of its confidential, policy-determining, policy-making, or policy-advocating character; or

"(B) excluded from the coverage of section 2302 (by operation of subsection (a)(2)(B) of such section) or chapter 75.".

(2) CLERICAL AMENDMENT.—The table of sections for such subchapter is amended by adding after the item relating to section 3330f the following:

"3330g. Election for at-will employment and lower FERS contributions.".

(b) INCREASE IN FERS CONTRIBUTIONS.—Section 8422(a) of title 5, United States Code, is amended by adding at the end the following:

"(D) The applicable percentage under this paragraph for civilian service by any individual who elects not to be employed on an at-will basis under section 3330g shall be equal to the percentage required under subparagraph (C), increased by 5 percentage points.".

(c) APPLICATION.—This section and the amendments made by this section shall apply to individuals initially appointed to positions in the civil service subject to such section and amendments appointed on or after the date of the enactment of this Act.

SEC. 90005. FILING FEE FOR MERIT SYSTEMS PROTECTION BOARD CLAIMS AND APPEALS.

(a) IN GENERAL.—Section 7701 of title 5, United States Code, is amended—

(1) in redesignating subsection (k) as subsection (l); and

(2) by inserting after subsection (j) the following:

"(k)(1) The Board shall establish and collect a filing fee to be paid by any employee, former employee, or applicant for employment filing a claim or appeal with the Board under this title, or under any other law, rule, or regulation, consistent with the requirements of this subsection.

"(2) The filing fee under paragraph (1) shall—

"(A) be in an amount equal to the filing fee for a civil action, suit, or proceeding under section 1914(a) of title 28;

"(B) be paid on the date the individual submits a claim or appeal to the Board; and

"(C) if the individual is the prevailing party under such claim or appeal, be returned to such individual.

"(3) The filing fee under this subsection shall not be required for any—

"(A) action brought by the Special Counsel under section 1214, 1215, or 1216; or

"(B) any claim or appeal of a prohibited personnel practice described in section 2302(b)(8) or 2302(b)(9)(A)(i), (B), (C), or (D) or in section 1221.

"(4) On the date that a claim or appeal with respect to which the individual is not the prevailing party has not been appealed and is no longer appealable because the time for taking an appeal has expired, or which has been appealed under section 7703 and the appeals process for which is completed, the fee collected under paragraph (1) shall, except as provided in paragraph (2)(C), be deposited into the miscellaneous receipts of the Treasury.".

(b) APPLICATION.—The fee required under the amendment made by subsection (a) shall apply to any claim or appeal filed with the Merit Systems Protection Board after the date that is 3 months after the date of the enactment of this section.

SEC. 90006. FEHB PROTECTION.

(a) FEHB IMPROVEMENTS.—

(1) DEFINITIONS.—In this subsection:

(A) DIRECTOR.—The term "Director" means the Director of the Office of Personnel Management.

(B) EMPLOYING OFFICE.—The term "employing office" has the meaning given the term in section 890.101(a) of title 5, Code of Federal Regulations, or any successor regulation.

(C) HEALTH BENEFITS PLAN; MEMBER OF FAMILY.—The terms "health benefits plan" and "member of family" have the meanings given those terms in section 8901 of title 5, United States Code.

(D) INSPECTOR GENERAL.—The term "Inspector General" means the Inspector General of the Office of Personnel Management.

(E) OPEN SEASON.—The term "open season" means an open season described in section 890.301(f) of title 5, Code of Federal Regulations, or any successor regulation.

(F) PROGRAM.—The term "Program" means the health insurance programs carried out under chapter 89 of title 5, United States Code, including the program carried out under section 8903c of that title.

(G) QUALIFYING LIFE EVENT.—The term "qualifying life event" has the meaning given the term in section 892.101 of title 5, Code of Federal Regulations, or any successor regulation.

(2) VERIFICATION REQUIREMENTS.—

(A) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Director shall issue regulations and implement a process to verify—

(i) the veracity of any qualifying life event through which an enrollee in the Program seeks to add a member of family with respect to the enrollee to a health benefits plan under the Program; and

(ii) that, when an enrollee in the Program seeks to add a member of family with respect to the enrollee to the health benefits plan of the enrollee under the Program, including during any open season, the individual so added is a qualifying member of family with respect to the enrollee.

(B) RECORD RETENTION.—The process implemented under subparagraph (A) shall require the records used for a verification described in such subparagraph under such process with respect to an individual enrolled in a health benefits plan under the Program to be provided to the Office of Personnel Management and retained by the Office of Personnel Management until the expiration of a six-year period beginning after the date of such verification in which such individual is not enrolled in a health benefits plan under the Program.

(3) FRAUD RISK ASSESSMENT.—In any fraud risk assessment conducted with respect to the Program on or after the date of the enactment of this Act, the Director shall include an assessment of individuals who are enrolled in, or covered under, a health benefits plan under the Program even though those individuals are not eligible to be so enrolled or covered.

(4) FAMILY MEMBER ELIGIBILITY VERIFICATION AUDIT.—

(A) IN GENERAL.—During the 5-year period beginning 1 year after the date of the enactment of this Act, the Director, in coordination with the head of each employing office, shall conduct a comprehensive audit regarding members of family who are covered under an enrollment in a health benefits plan under the Program.

(B) CONTENTS.—In conducting an audit required by subparagraph (A), the Director, in coordination with the head of each employing office, shall review marriage certificates, birth certificates, and other appropriate documents that are necessary to determine eligibility to enroll in a health benefits plan under the Program.

(C) RECORD RETENTION.—All records pertaining to the eligibility of an individual to be enrolled in, or covered under, a health benefits plan under the Program obtained by the Director or the head of the relevant employing office in the audit required by subparagraph (A) shall be retained by the Office of Personnel Management until the expiration of a six-year period beginning after the date of

such audit in which such individual is not enrolled in, or covered under, a health benefits plan under the Program.

(D) REFERRAL TO INSPECTOR GENERAL.—The Director shall refer any instances of individuals enrolled in, or covered under, a health benefits plan under the Program who are not eligible to be so enrolled or covered that are identified in the audit required by subparagraph (A) to the Inspector General.

(5) DISENROLLMENT OR REMOVAL.—

(A) IN GENERAL.—Not later than 6 months after the date of the enactment of this Act, the Director shall develop a process by which any individual enrolled in, or covered under, a health benefits plan under the Program who is not eligible to be so enrolled or covered shall be disenrolled or removed from enrollment in a health benefits plan under the Program.

(B) NOTIFY INSPECTOR GENERAL.—The Director shall notify the Inspector General of each individual disenrolled or removed from enrollment in a health benefits plan under the Program under the process developed under subparagraph (A).

(b) EARNED BENEFITS AND HEALTHCARE ADMINISTRATIVE SERVICES ASSOCIATED OVERSIGHT AND AUDIT FUNDING.—

(1) IN GENERAL.—Section 8909(a)(2) of title 5, United States Code, is amended by striking "Congress." and inserting "Congress, except that the amounts authorized under subsection (b)(2) for the Office shall not be subject to the limitations that may be specified annually by Congress.".

(2) OVERSIGHT.—Section 8909(b) of title 5, United States Code, is amended—

(A) by redesignating paragraph (2) as paragraph (5); and

(B) by inserting after paragraph (1) the following:

"(2) In addition to the funds provided under paragraph (1), amounts of all contributions shall be available for the Office to develop, maintain, and conduct ongoing eligibility verification and oversight over the enrollment and eligibility systems with respect to benefits under this chapter, including the Postal Service Health Benefits Program under section 8903c. Amounts for the Office under this paragraph shall not be available in excess of the following amounts in the following fiscal years:

"(A) In fiscal year 2026, $36,792,000.

"(B) In fiscal year 2027, $44,733,161.

"(C) In fiscal year 2028, $50,930,778.

"(D) In fiscal year 2029, $54,198,238.

"(E) In fiscal year 2030, $54,855,425.

"(F) In fiscal year 2031, $56,062,244.

"(G) In fiscal year 2032, $57,295,613.

"(H) In fiscal year 2033, $58,556,117.

"(I) In fiscal year 2034, $59,844,351.

"(J) In fiscal year 2035 and each fiscal year thereafter, the amount equal to the dollar limit for the immediately preceding fiscal year, increased by 2.2. percent.

"(3) In fiscal year 2026, $80,000,000, to be derived from all contributions and to remain available until expended, shall be available for the Office to conduct the audit required under section 90006(a)(4) of the Act titled 'An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14'. Of such amount, the Office may transfer funds as the Director of the Office determines necessary to an employing office (as that term is defined in section 890.101(a) of title 5, Code of Federal Regulations, or any successor regulation) in order to conduct the required audit.

"(4) Amounts of all contributions shall be available for the Office of Personnel Management Office of the Inspector General to conduct oversight associated with activities under this chapter (including the Postal Service Health Benefits Program under section 8903c), including activities associated with enrollment and eligibility in these programs and any associated audit activities as required under section 90006 of the Act titled 'An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14'. Amounts for the Office of the Inspector General under this paragraph shall not be available in excess of the following amounts in the following fiscal years:

"(A) In fiscal year 2026, $5,090,278.

"(B) In fiscal year 2027 and each fiscal year thereafter, the amount equal to the dollar limit for the immediately preceding fiscal year, increased by 2.2 percent.".

TITLE X—COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SEC. 100001. COAST GUARD ASSETS NECESSARY TO SECURE THE MARITIME BORDER AND INTERDICT MIGRANTS AND DRUGS.

(a) IN GENERAL.—For the purpose of the acquisition, sustainment, improvement, and operation of United States Coast Guard assets, in addition to amounts otherwise made available, there is appropriated to the Commandant of the Coast Guard for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $571,500,000 for fixed wing aircraft and spare parts, training simulators, support equipment, and program management for such aircraft;

(2) $1,283,000,000 for rotary wing aircraft and spare parts, training simulators, support equipment, and program management for such aircraft;

(3) $140,000,000 for long-range unmanned aircraft systems and base stations, support equipment, and program management for such systems;

(4) $4,300,000,000 for Offshore Patrol Cutters and spare parts and program management for such Cutters;

(5) $1,000,000,000 for Fast Response Cutters and spare parts and program management for such Cutters;

(6) $4,300,000,000 for Polar Security Cutters and spare parts and program management for such Cutters;

(7) $4,978,000,000 for Arctic Security Cutters and domestic icebreakers and spare parts and program management for such Cutters and icebreakers;

(8) $3,154,500,000 for design, planning, engineering, construction of, and program management for shoreside infrastructure, of which—

(A) $400,000,000 is provided for hangers and maintenance and crew facilities for the fixed wing aircraft for which funds are appropriated under paragraph (1) and rotary wing aircraft for which funds are appropriated under paragraph (2);

(B) $2,329,500,000 is provided for homeports for the Cutters for which funds are appropriated under paragraphs (4), (5), (6), and (7), National Security Cutters, and other Fast Response Cutters; and

(C) $425,000,000 is provided for design, planning, engineering, construction of, and program management for enlisted boot camp barracks, multi-use training centers, and other related facilities;

(9) $1,300,000,000 for aviation, cutter, shoreside facility depot maintenance, and C5I service maintenance, of which $500,000,000 is provided to acquire, procure, or construct a floating dry dock under subsection (b) and conduct channel dredging necessary to allow Cutters for which funds are appropriated under paragraph (4) and National Security Cutters to be maintained and repaired in such dry dock; and

(10) $180,000,000 for equipment and services for maritime domain awareness, of which $75,000,000 is provided to contract the services of, acquire, or procure autonomous maritime systems.

(b) REQUIREMENTS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Commandant may not acquire, procure, or construct a floating dry dock for the Coast Guard Yard with amounts appropriated under subsection (a).

(2) PERMISSIBLE ACQUISITION, PROCUREMENT, OR CONSTRUCTION METHODS.—Notwithstanding paragraph (1) of this subsection and section 1105(a) of title 14, United States Code, the Commandant may, through September 30, 2030—

(A) provide for an entity other than the Coast Guard to contract for the acquisition, procurement, or construction of a floating dry dock by contract, purchase, or other agreement;

(B) construct a floating dry dock at the Coast Guard Yard; or

(C) acquire or procure a commercially available floating dry dock.

(3) FLOATING DRY DOCK DEFINED.—In this section, the term "floating dry dock" means equipment that is—

(A) documented under chapter 121 of title 46, United States Code; and

(B) capable of meeting the lifting and maintenance requirements of an Offshore Patrol Cutter or a National Security Cutter.

(c) LIMITATION.—Not more than 15 percent of the amounts provided in paragraph (9) of subsection (a) shall be available for design, planning, and engineering of the facilities described in such paragraph.

(d) APPLICATION.—In carrying out acquisitions or procurements for which funds are appropriated under subsection (a), sections 1131, 1132, and 1133 of title 14, United States Code, shall not apply.

(e) ENTITY OTHER THAN THE COAST GUARD.—Notwithstanding section 1105(a) of title 14, United States Code, in carrying out acquisition, procurement, or construction of Arctic Security Cutters or domestic icebreakers for which funds are appropriated under subsection (a)(7), the Commandant may provide for an entity other than the Coast Guard to contract for such acquisition, procurement, or construction.

(f) COMPLIANCE WITH APPLICABLE REPORTING REQUIREMENTS.—None of the amounts provided in—

(1) this section may be obligated or expended during any fiscal year in which the Commandant is not compliant with sections 5102 and 5103 (excluding section 5103(e)) of title 14, United States Code; and

(2) paragraphs (1) and (2) of subsection (a) may be obligated or expended until the Commandant provides the report required under section 11217 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (Public Law 117-263) to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate.

(g) NOTIFICATION REQUIREMENT.—The Commandant shall notify the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate not less than 1 week prior to taking any procurement actions impacting estimated costs or timelines for acquisitions or procurements funded with amounts appropriated under this section.

(h) EXPENDITURE PLAN.—Not later than 90 days after the date of enactment of this Act, the Commandant shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a detailed expenditure plan, including projected project timelines for each acquisition and procurement funded under this section and a list of project locations to be funded under paragraphs (8) and (9) of subsection (a).

(i) EXCEPTION.—If the President authorizes an exception under section 1151(b) of title 14, United States Code, for any Coast Guard vessel, or the hull or superstructure of such vessel for which funds are appropriated under paragraphs (4) through (7) of subsection (a), no such funds shall be obligated until the President submits to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a written explanation of the circumstances requiring such an exception in the national security interest, including—

(1) a confirmation that there are insufficient qualified United States shipyards to meet the national security interest without such exception; and

(2) actions taken by the President to enable qualified United States shipyards to meet national security requirements prior to the issuance of such an exception.

SEC. 100002. CHANGES TO MANDATORY BENEFITS PROGRAMS TO ALLOW SELECTED RESERVE ORDERS FOR PREPLANNED MISSIONS TO SECURE MARITIME BORDERS AND INTERDICT PERSONS AND DRUGS.

(a) IN GENERAL.—Subchapter I of chapter 37 of title 14, United States Code, is amended by adding at the end the following:

"§ 3715. Selected reserve: order to active duty for preplanned missions in support of the active component

"(a) AUTHORITY.—When the Commandant determines that it is necessary to augment the active forces for a preplanned mission in support of Coast Guard requirements, the Commandant may, subject to subsection (b), order any member of the Selected Reserve, without the consent of the member, to active duty for not more than 365 consecutive days.

"(b) LIMITATIONS.—Members of the Selected Reserve may be ordered to active duty under this section only if—

"(1) the manpower and associated costs of such active duty are specifically included and identified in the materials submitted to Congress by the Secretary of the department in which the Coast Guard is operating, in support of the budget for the fiscal year or years in which such members are anticipated to be ordered to active duty; and

"(2) the budget information on such costs includes a description of the mission for which such members are anticipated to be ordered to active duty and the anticipated length of time of the order of such members to active duty on an involuntary basis.

"(c) EXCLUSION FROM STRENGTH LIMITATIONS.—Members of the Selected Reserve ordered to active duty under this section shall not be counted in computing authorized strength in members on active duty or the total number of members in grade under this title or any other law.

"(d) TERMINATION OF DUTY.—Whenever any member of the Selected Reserve is ordered to active duty under subsection (a), such service may be terminated—

"(1) by order of the Commandant; or

"(2) by law.

"(e) CONSIDERATIONS FOR INVOLUNTARY ORDER TO ACTIVE DUTY.—In determining which members of the Selected Reserve will be ordered to duty without their consent under subsection (a), appropriate consideration shall be given to—

"(1) the length and nature of previous service, to assure such sharing of exposure to hazards as national security and military requirements will reasonably allow;

"(2) the frequency of assignments during service career;

"(3) family responsibilities; and

"(4) employment necessary to maintain the national health, safety, or interest.

"(f) POLICIES AND PROCEDURES.—The Commandant may prescribe policies and procedures to carry out this section, including on determinations with respect to orders to active duty under subsection (e).".

(b) CLERICAL AMENDMENT.—The analysis for chapter 37 of title 14, United States Code, is amended by inserting after the item relating to section 3714 the following:

"3715. Selected reserve: order to active duty for preplanned missions in support of the active component".

(c) DEFINITIONS.—Section 3301(1)(B) of title 38, United States Code is amended by striking "section 712 of title 14." and inserting "section 3713 or 3715 of title 14.".

(d) REEMPLOYMENT RIGHTS OF PERSONS WHO SERVE IN THE UNIFORMED SERVICES.—Section 4312(c)(4)(A) of title 38, United States Code is amended by striking "712 of title 14;" and inserting "section 3713 or 3715 of title 14;".

(e) MEDICAL AND DENTAL CARE FOR MEMBERS AND CERTAIN FORMER MEMBERS.—Section 1074(d)(2) of title 10, United States Code is amended by inserting ", or section 3715 of title 14," after "section 101(a)(13)(B) of this title".

(f) HEALTH BENEFITS.—Section 1145(a)(2)(B) of title 10, United States Code is amended by inserting ", or section 3715 of title 14," after "section 101(a)(13)(B) of this title".

(g) AGE AND SERVICE REQUIREMENTS.—Section 12731(f)(2)(B)(i) of title 10, United States Code is amended by inserting ", or section 3715 of title 14," after "section 101(a)(13)(B) of this title".

SEC. 100003. VESSEL TONNAGE DUTIES.

Section 60301 of title 46, United States Code, is amended—

(1) in subsection (a) by striking ", for fiscal years 2006 through 2010, and 2 cents per ton, not to exceed a total of 10 cents per ton per year, for each fiscal year thereafter,"; and

(2) in subsection (b) by striking ", for fiscal years 2006 through 2010, and 6 cents per ton, not to exceed a total of 30 cents per ton per year, for each fiscal year thereafter,".

SEC. 100004. REGISTRATION FEE ON MOTOR VEHICLES.

(a) IN GENERAL.—Chapter 1 of title 23, United States Code, is amended by adding at the end the following:

"§ 180. Registration fee on motor vehicles.

"(a) IN GENERAL.—The Administrator of the Federal Highway Administration shall impose for each year the following registration fee amounts on the owner of a vehicle registered for operation by a State motor vehicle department:

"(1) $250 for a covered electric vehicle.

"(2) $100 for a covered hybrid vehicle.

"(b) WITHHOLDING OF FUNDS FOR NONCOMPLIANCE.—The Administrator shall withhold, from amounts required to be apportioned to any State under section 104(b), an amount equal to 125 percent to the amount required to be remitted under subsection (c)(2). The Administrator shall withhold the amount on the first day of each

fiscal year beginning after September 30, 2026, in which the State does not meet the requirements of subsection (c).

"(c) COLLECTION AND REMITTANCE OF FEE.—

"(1) COLLECTION OF FEE.—A State motor vehicle department shall—

"(A) incorporate the collection of the fees established under subsection (a) into the vehicle registration and renewal processes administered by such department, so long as such fees are imposed for each year in which the fees are required; or

"(B) obtain approval from the Administrator to establish an alternate means of compliance for the collection of such fees that is acceptable to the Administrator.

"(2) REMITTANCE OF FEE.—Not later than 30 days after the last day of each month, a State motor vehicle department shall remit to the Administrator the balance of the total fee amounts collected under this section in the preceding month less the portion reserved for administrative expenses under subsection (e).

"(d) FEE ASSESSMENT.—The amounts specified in subsection (a) shall be increased on an annual basis to account for the rate of inflation each fiscal year in accordance with the Consumer Price Index for All Urban Consumers of the Bureau of Labor Statistics.

"(e) ADMINISTRATIVE EXPENSES.—In any fiscal year in which a State is in compliance with this section, such State may retain an amount not to exceed 1 percent of the total fees collected under this section for administrative expenses.

"(f) APPLICABILITY OF FEES.—The fees imposed under paragraphs (1) and (2) of subsection (a) shall terminate on October 1, 2035.

"(g) DEFINITIONS.—In this section:

"(1) COVERED ELECTRIC VEHICLE.—The term 'covered electric vehicle' means a covered motor vehicle with an electric motor as the sole means of propulsion of such vehicle.

"(2) COVERED MOTOR VEHICLE.—The term 'covered motor vehicle' has the meaning given the term 'motor vehicle' under section 154(a) but excludes a motor vehicle that is a covered farm vehicle or commercial motor vehicle (as such terms are defined in section 390.5 of title 49, Code of Federal Regulations).

"(3) COVERED HYBRID VEHICLE.—The term 'covered hybrid vehicle' means a covered motor vehicle propelled by a combination of an electric motor and an internal combustion engine or other power source and components thereof.".

(b) IMPLEMENTATION OF CERTAIN PROCESSES.—

(1) IMPLEMENTATION.—The Administrator of the Federal Highway Administration shall provide grants to State motor vehicle departments to implement a process to carry out section 180 of title 23, United States Code.

(2) FUNDING.—Out of any money in the Treasury not otherwise appropriated, $104,000,000 is to remain available until September 30, 2029, beginning in the first fiscal year following the date of enactment of this Act, for grants under paragraph (1).

(3) ELIGIBLE AMOUNTS.—Each State motor vehicle department may receive not more than $2,000,000 under this subsection.

(c) REGULATIONS.—The Administrator shall issue such regulations and guidance as are necessary to—

(1) carry out section 180 of title 23, United States Code (as added by this Act); and

(2) establish a process for the timely and accurate remittance of fees collected under such section through an electronic method.

(d) REPORT.—Not later than 2 years after the date of enactment of this Act, the Administrator shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the status of the implementation of section 180 of title 23, United States Code (as added by this Act).

(e) CLERICAL AMENDMENT.—The analysis for chapter 1 of title 23, United States Code, is amended by adding at the end the following:
"180. Registration fee on motor vehicles.".

SEC. 100005. DEPOSIT OF REGISTRATION FEE ON MOTOR VEHICLES.

Any amounts accrued pursuant to section 180 of title 23, United States Code (as added by this Act), shall be deposited into the Highway Trust Fund.

SEC. 100006. MOTOR CARRIER DATA.

(a) PUBLIC CONFIRMATION OF AUTHORIZED MOTOR CARRIERS.—There is appropriated $5,000,000 to the Administrator of the Federal Motor Carrier Safety Administration to establish a public website to present data on motor carriers, as such term is defined in section 13102 of title 49, United States Code, in a manner that indicates whether each motor carrier meets or does not meet all Administration operating requirements, including by displaying 1 of the following statements for each motor carrier:

(1) "This motor carrier meets Federal Motor Carrier Safety Administration operating requirements and is authorized to operate on the nation's roadways.".

(2) "This motor carrier does not meet Federal Motor Carrier Safety Administration operating requirements and is not authorized to operate on the nation's roadways.".

(b) USAGE FEE.—The Administrator shall assess an annual fee of $100 on each person seeking access to the website established under subsection (a). In each fiscal year through fiscal year 2033, monies collected under this subsection shall be—

(1) credited to the account in the Treasury from which the Administrator incurs expenses for establishing, maintaining, and updating the website required to be established under subsection (a); and

(2) available for establishing, maintaining, and updating such website without further appropriation.

(c) DETERMINATION.—A broker, freight forwarder, or household goods freight forwarder, as such terms are defined in section 13102 of title 49, United States Code, that uses the website established under subsection (a) to ensure that a motor carrier engaged by such broker, freight forwarder, or household goods freight for-

warder meets Federal Motor Carrier Safety Administration operating requirements shall be considered to have taken reasonable and prudent determinations in engaging such motor carrier.

SEC. 100007. IRA RESCISSIONS.

(a) REPEAL OF FUNDING FOR ALTERNATIVE FUEL AND LOW-EMISSION AVIATION TECHNOLOGY PROGRAM.—The unobligated balances of amounts made available to carry out section 40007 of Public Law 117–169 (49 U.S.C. 44504 note) (as in effect on the day before the date of enactment of this Act) are permanently rescinded.

(b) REPEAL OF FUNDING FOR NEIGHBORHOOD ACCESS AND EQUITY GRANT PROGRAM.—The unobligated balances of amounts made available to carry out section 177 of title 23, United States Code, (as in effect on the day before the date of enactment of this Act) are permanently rescinded.

(c) REPEAL OF FUNDING FOR FEDERAL BUILDING ASSISTANCE.—The unobligated balances of amounts made available to carry out section 60502 of Public Law 117–169 (136 Stat. 2083) (as in effect on the day before the date of enactment of this Act) are permanently rescinded.

(d) REPEAL OF FUNDING FOR USE OF LOW-CARBON MATERIALS FOR FEDERAL BUILDING ASSISTANCE.— The unobligated balances of amounts made available to carry out section 60503 of Public Law 117–169 (136 Stat. 2083) (as in effect on the day before the date of enactment of this Act) are permanently rescinded.

(e) REPEAL OF FUNDING FOR GENERAL SERVICES ADMINISTRATION EMERGING TECHNOLOGIES.—The unobligated balances of amounts made available to carry out section 60504 of Public Law 117–169 (136 Stat. 2083) (as in effect on the day before the date of enactment of this Act) are permanently rescinded.

(f) REPEAL OF ENVIRONMENTAL REVIEW IMPLEMENTATION FUNDS.—The unobligated balances of amounts made available to carry out section 178 of title 23, United States Code, (as in effect on the day before the date of enactment of this Act) are permanently rescinded.

(g) REPEAL OF FUNDING FOR LOW-CARBON TRANSPORTATION MATERIALS GRANTS.— The unobligated balances of amounts made available to carry out section 179 of title 23, United States Code, (as in effect on the day before the date of enactment of this Act) are permanently rescinded.

SEC. 100008. AIR TRAFFIC CONTROL STAFFING AND MODERNIZATION.

(a) IN GENERAL.—For the purpose of the acquisition, construction, sustainment, improvement, and operation of facilities and equipment necessary to improve or maintain aviation safety, and for personnel expenses related to such facilities and equipment, in addition to amounts otherwise made available, there is appropriated to the Administrator of the Federal Aviation Administration for fiscal year 2025, out of any money in the Treasury not otherwise appropriated, to remain available until September 30, 2029—

(1) $2,160,000,000 for air traffic control tower and terminal radar approach control facility replacement, of which not less than $240,000,000 shall be available for Contract Tower Pro-

gram air traffic control tower replacement and airport sponsor-owned air traffic control tower replacement;

(2) $3,000,000,000 for radar systems replacement;

(3) $4,750,000,000 for telecommunications infrastructure and systems replacement;

(4) $500,000,000 for runway safety projects, airport surface surveillance projects, and to carry out section 347 of the FAA Reauthorization Act of 2024;

(5) $550,000,000 for unstaffed infrastructure sustainment and replacement;

(6) $300,000,000 to carry out section 619 of the FAA Reauthorization Act of 2024;

(7) $260,000,000 to carry out section 44745 of title 49, United States Code; and

(8) $1,000,000,000 for air traffic controller recruitment, retention, training, and advanced training technologies.

(b) QUARTERLY REPORTING.—Not later than 180 days after the date of enactment of this Act, and every 90 days thereafter, the Administrator shall submit to Congress a report that describes any expenditures under this section.

SEC. 100009. JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS APPROPRIATIONS.

In addition to amounts otherwise made available, there is appropriated for fiscal year 2025, out of any money in the Treasury not otherwise appropriated—

(1) $241,750,000 for necessary expenses for capital repair and restoration of the building and site of the John F. Kennedy Center for the Performing Arts, to remain available until September 30, 2029;

(2) $7,707,000 for necessary expenses for the operation, maintenance, and security of the John F. Kennedy Center for the Performing Arts, to remain available until September 30, 2027; and

(3) $7,200,000 for administrative expenses of the John F. Kennedy Center for the Performing Arts to carry out the purposes of this section, to remain available until September 30, 2029.

TITLE XI—COMMITTEE ON WAYS AND MEANS, "THE ONE, BIG, BEAUTIFUL BILL"

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

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

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

Subtitle A—Make American Families and Workers Thrive Again

PART 1—PERMANENTLY PREVENTING TAX HIKES ON AMERICAN FAMILIES AND WORKERS

SEC. 110001. EXTENSION OF MODIFICATION OF RATES.

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

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

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

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

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

SEC. 110002. EXTENSION OF INCREASED STANDARD DEDUCTION AND TEMPORARY ENHANCEMENT.

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

(1) by striking ", and before January 1, 2026" in the matter preceding subparagraph (A), and

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

(b) TEMPORARY ADDITIONAL INCREASE IN STANDARD DEDUCTION.—Section 63(c)(7) is amended by adding at the end the following new subparagraph:

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

"(i) the dollar amount otherwise in effect under paragraph (2)(B) shall be increased by $1,500, and

"(ii) the dollar amount otherwise in effect under paragraph (2)(C) shall be increased by $1,000.".

(c) RECALCULATION OF INFLATION ADJUSTMENT.—Section 63(c)(7)(B)(ii)(II) is amended by striking ", determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof".

(d) EFFECTIVE DATE.—

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

(2) TEMPORARY ADDITIONAL INCREASE IN STANDARD DEDUCTION.—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2024.

SEC. 110003. TERMINATION OF DEDUCTION FOR PERSONAL EXEMPTIONS.

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

(1) by striking "and before January 1, 2026", and

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

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

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

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

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

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

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

"(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting—

"(A) in the case of taxable years beginning after December 31, 2024, and before December 31, 2028, '$2,500' for '$1,000', or

"(B) in the case of any subsequent taxable year, '$2,000' for '$1,000'.".

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

"(7) SOCIAL SECURITY NUMBER REQUIRED.—

"(A) IN GENERAL.—No credit shall be allowed under this section to a taxpayer with respect to any qualifying child unless the taxpayer includes on the return of tax for the taxable year—

"(i) such individual's social security number,

"(ii) the social security number of such qualifying child, and

"(iii) if the individual is married, the social security number of such individual's spouse.

"(B) SOCIAL SECURITY NUMBER.—For purposes of this paragraph, the term 'social security number' means a social security number issued to an individual by the Social Security Administration, but only if the social security number is issued—

"(i) to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act, and

"(ii) before the due date for such return.

"(C) MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this section.".

(d) INFLATION ADJUSTMENTS.—

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

"(i) INFLATION ADJUSTMENTS.—

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

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year

begins, determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof.

"(2) SPECIAL RULE FOR ADJUSTMENT OF CREDIT AMOUNT.—In the case of a taxable year beginning after 2028, the $2,000 amount in subsection (h)(2)(B), shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2024' for '2016' in subparagraph (A)(ii) thereof.

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

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

"(5) MAXIMUM AMOUNT OF REFUNDABLE CREDIT.—The amount determined under subsection (d)(1)(A) with respect to any qualifying child shall not exceed $1,400, and such subsection shall be applied without regard to paragraph (4) of this subsection.".

(f) TREATMENT OF CERTAIN BENEFITS OF MEMBERS OF RELIGIOUS AND APOSTOLIC ASSOCIATIONS AS EARNED INCOME.—Section 24(d)(1) is amended by adding at the end the following: "For purposes of subparagraph (B), any amount treated as a dividend received under the last sentence of section 501(d) shall be treated as earned income which is taken into account in computing taxable income for the taxable year.".

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

SEC. 110005. EXTENSION OF DEDUCTION FOR QUALIFIED BUSINESS INCOME AND PERMANENT ENHANCEMENT.

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

(b) INCREASE IN DEDUCTION.—Subsections (a)(2), (b)(1)(B), and (b)(2)(A) of section 199A are each amended by striking "20 percent" and inserting "23 percent".

(c) MODIFICATION OF LIMITATIONS BASED ON TAXABLE INCOME.—

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

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

"(A) EXCEPTION FROM LIMITATIONS.—In the case of any taxpayer whose taxable income for the taxable year does not exceed the threshold amount—

"(i) paragraph (2) shall be applied without regard to subparagraph (B), and

"(ii) a specified service trade or business shall not fail to be treated as a qualified trade or business solely by reason of subsection (d)(1)(A).

"(B) PHASE-IN OF LIMITATIONS.—In the case of any taxpayer whose taxable income for the taxable year exceeds the threshold amount, the sum described in paragraph (1)(A) (determined without regard to this subparagraph)

shall instead be an amount (if greater) equal to the excess (if any) of—

"(i) the sum described in paragraph (1)(A) (determined by applying the rules of clauses (i) and (ii) of subparagraph (A)), over

"(ii) the limitation phase-in amount.

"(C) LIMITATION PHASE-IN AMOUNT.—For purposes of subparagraph (B), the limitation phase-in amount shall be an amount equal to 75 percent of the excess (if any) of—

"(i) the taxable income of the taxpayer for the taxable year, over

"(ii) the threshold amount.".

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

(d) DEDUCTION FOR QUALIFIED BUSINESS INCOME TO APPLY TO CERTAIN INTEREST DIVIDENDS OF QUALIFIED BUSINESS DEVELOPMENT COMPANIES.—

(1) IN GENERAL.—Subsections (b)(1)(B) and (c)(1) of section 199A are each amended by inserting ", qualified BDC interest dividends," after "qualified REIT dividends".

(2) QUALIFIED BDC INTEREST DIVIDEND DEFINED.—Section 199A(e) is amended by adding at the end the following new paragraph:

"(5) QUALIFIED BDC INTEREST DIVIDEND.—

"(A) IN GENERAL.—The term 'qualified BDC interest dividend' means any dividend from an electing business development company received during the taxable year which is attributable to net interest income of such company which is properly allocable to a qualified trade or business of such company.

"(B) ELECTING BUSINESS DEVELOPMENT COMPANY.—For purposes of this paragraph, the term 'electing business development company' means a business development company (as defined in section 2(a) of the Investment Company Act of 1940) which has an election in effect under section 851 to be treated as a regulated investment company.".

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

(1) by striking "2018" and inserting "2025", and

(2) in clause (ii), by striking ", determined by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof".

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

SEC. 110006. EXTENSION OF INCREASED ESTATE AND GIFT TAX EXEMPTION AMOUNTS AND PERMANENT ENHANCEMENT.

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

(1) in subparagraph (A) by striking "$5,000,000" and inserting "$15,000,000",

(2) in subparagraph (B)—

(A) in the matter preceding clause (i), by striking "2011" and inserting "2026", and

(B) in clause (ii), by striking "calendar year 2010" and inserting "calendar year 2025", and

(3) by striking subparagraph (C).

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

SEC. 110007. EXTENSION OF INCREASED ALTERNATIVE MINIMUM TAX EXEMPTION AND PHASE-OUT THRESHOLDS.

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

(1) in subparagraph (A), by striking ", and before January 1, 2026", and

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

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

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

(a) IN GENERAL.—Section 163(h)(3)(F) is amended—

(1) in clause (i), by striking ", and before January 1, 2026",

(2) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively, and

(3) by striking "2018 THROUGH 2025" in the heading and inserting "BEGINNING AFTER 2017".

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

SEC. 110009. EXTENSION OF LIMITATION ON CASUALTY LOSS DEDUCTION.

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

(1) in subparagraph (A), by striking "and before January 1, 2026,", and

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

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

SEC. 110010. TERMINATION OF MISCELLANEOUS ITEMIZED DEDUCTION.

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

(1) by striking ", and before January 1, 2026", and

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

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

SEC. 110011. LIMITATION ON TAX BENEFIT OF ITEMIZED DEDUCTIONS.

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

"SEC. 68. LIMITATION ON TAX BENEFIT OF ITEMIZED DEDUCTIONS.

"(a) IN GENERAL.—In the case of an individual, the amount of the itemized deductions otherwise allowable for the taxable year (determined without regard to this section) shall be reduced by 2/37 of the lesser of—

"(1) such amount of itemized deductions, or

"(2) so much of the taxable income of the taxpayer for the taxable year (determined without regard to this section and increased by such amount of itemized deductions) as exceeds the

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

"(b) COORDINATION WITH OTHER LIMITATIONS.—This section shall be applied after the application of any other limitation on the allowance of any itemized deduction.".

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

SEC. 110012. TERMINATION OF QUALIFIED BICYCLE COMMUTING REIMBURSEMENT EXCLUSION.

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

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

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

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

(1) by striking ", and before January 1, 2026", and

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

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

(1) by striking ", and before January 1, 2026", and

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

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

SEC. 110014. EXTENSION OF LIMITATION ON WAGERING LOSSES.

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

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

SEC. 110015. EXTENSION OF INCREASED LIMITATION ON CONTRIBUTIONS TO ABLE ACCOUNTS AND PERMANENT ENHANCEMENT.

(a) IN GENERAL.—Section 529A(b)(2)(B) is amended—

(1) in clause (i), by inserting "(determined by substituting '1996' for '1997' in paragraph (2)(B) thereof)" after "section 2503(b)", and

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

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to contributions made after December 31, 2025.

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

SEC. 110016. EXTENSION OF SAVERS CREDIT ALLOWED FOR ABLE CONTRIBUTIONS.

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

"(1) IN GENERAL.—The term 'qualified retirement savings contributions' means, with respect to any taxable year, the sum of—

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

"(B) in the case of any taxable year beginning before January 1, 2027—

"(i) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

"(ii) the amount of—

"(I) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

"(II) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

"(iii) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).".

(b) COORDINATION WITH SECURE 2.0 ACT OF 2022 AMENDMENT.—Paragraph (1) of section 103(e) of the SECURE 2.0 Act of 2022 is repealed, and the Internal Revenue Code of 1986 shall be applied and administered as though such paragraph were never enacted.

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

SEC. 110017. EXTENSION OF ROLLOVERS FROM QUALIFIED TUITION PROGRAMS TO ABLE ACCOUNTS PERMITTED.

(a) IN GENERAL.—Section 529(c)(3)(C)(i)(III) is amended by striking "before January 1, 2026,".

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

SEC. 110018. EXTENSION OF TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE SINAI PENINSULA AND ENHANCEMENT TO INCLUDE ADDITIONAL AREAS.

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

(b) KENYA, MALI, BURKINA FASO, AND CHAD INCLUDED AS HAZARDOUS DUTY AREAS.—Section 11026(b) of Public Law 115–97 is amended to read as follows:

"(b) QUALIFIED HAZARDOUS DUTY AREA.—For purposes of this section, the term 'qualified hazardous duty area' means—

"(1) the Sinai Peninsula of Egypt, if as of December, 22, 2017, any member of the Armed Forces of the United States is entitled to special pay under section 310 of title 37, United States Code (relating to special pay; duty subject to hostile fire or imminent danger), for services performed in such location, and

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

Such term includes any such location only during the period such entitlement is in effect with respect to such location.".

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

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

SEC. 110019. EXTENSION OF EXCLUSION FROM GROSS INCOME OF STUDENT LOANS DISCHARGED ON ACCOUNT OF DEATH OR DISABILITY.

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

"(5) DISCHARGES ON ACCOUNT OF DEATH OR DISABILITY.—

"(A) IN GENERAL.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income for such taxable year by reason of the discharge (in whole or in part) of any loan described in subparagraph (B), if such discharge was—

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

"(ii) pursuant to section 464(c)(1)(F) of such Act, or

"(iii) otherwise discharged on account of death or total and permanent disability of the student.

"(B) LOANS DISCHARGED.—A loan is described in this subparagraph if such loan is—

"(i) a student loan (as defined in paragraph (2)), or

"(ii) a private education loan (as defined in section 140(a) of the Consumer Credit Protection Act (15 U.S.C. 1650(a)).

"(C) SOCIAL SECURITY NUMBER REQUIREMENT.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply with respect to any discharge during any taxable year unless the taxpayer includes on the return of tax for such taxable year—

"(I) the taxpayer's social security number, and

"(II) if the taxpayer is married, the social security number of such taxpayers's spouse.

"(ii) SOCIAL SECURITY NUMBER.—For purposes of this subparagraph, the term 'social security number' has the meaning given such term in section 24(h)(7).

"(iii) MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this subparagraph.".

(b) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2) is amended by striking "and" at the end of subparagraph (U), by striking the period at the end of subparagraph (V) and inserting ", and", and by inserting after subparagraph (V) the following new subparagraph:

"(W) an omission of a correct social security number required under section 108(f)(5)(C) (relating to discharges on account of death or disability).".

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

PART 2—ADDITIONAL TAX RELIEF FOR AMERICAN FAMILIES AND WORKERS

SEC. 110101. NO TAX ON TIPS.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 is amended by redesignating section 224 as section 225 and by inserting after section 223 the following new section:

"SEC. 224. QUALIFIED TIPS.

"(a) IN GENERAL.—There shall be allowed as a deduction an amount equal to the qualified tips received during the taxable year that are included on statements furnished to the individual pursuant to section 6041(d)(3), 6041A(e)(3), 6050W(f)(2), 6051(a)(18), or reported by the taxpayer on Form 4137 (or successor).

"(b) TIPS RECEIVED IN COURSE OF TRADE OR BUSINESS.—In the case of qualified tips received by an individual during any taxable year in the course of any trade or business of such individual, such qualified tips shall be taken into account under subsection (a) only to the extent that the gross receipts of the taxpayer from such trade or business for such taxable year (including such qualified tips) exceeds the sum of—

"(1) cost of goods sold that are allocable to such receipts, plus

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

"(c) QUALIFIED TIPS.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified tip' means any cash tip received by an individual in an occupation which traditionally and customarily received tips on or before December 31, 2024, as provided by the Secretary.

"(2) EXCLUSIONS.—Such term shall not include any amount received by an individual unless—

"(A) such amount is paid voluntarily without any consequence in the event of nonpayment, is not the subject of negotiation, and is determined by the payor,

"(B) the trade or business in the course of which the individual receives such amount is not a specified service trade or business (as defined in section 199A(d)(2)),

"(C) such individual is not a highly compensated employee (as defined in section 414(q)(1)) of any employer for the calendar year in which the taxable year begins, and does not receive earned income in excess of the dollar amount in effect under section 414(q)(1)(B)(i) for such calendar year, and

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

"(d) SOCIAL SECURITY NUMBER REQUIRED.—

"(1) IN GENERAL.—No deduction shall be allowed under this section unless the taxpayer includes on the return of tax for the taxable year—

"(A) such individual's social security number (as defined in section 24(h)(7)), and

"(B) if the individual is married, the social security number of such individual's spouse.

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

"(e) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary to prevent reclassification of income as qualified tips, including regulations or other guidance to prevent abuse of the deduction allowed by this section.

"(f) TERMINATION.—No deduction shall be allowed under this section for any taxable year beginning after December 31, 2028.".

(b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—Section 63(b) is amended by striking "and" at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting "and", and by adding at the end the following new paragraph:

"(5) the deduction provided in section 224.".

(c) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (V), by striking the period at the end of subparagraph (W) and inserting ", and", and by inserting after subparagraph (W) the following new subparagraph:

"(X) an omission of a correct social security number required under section 224(d) (relating to deduction for qualified tips).".

(d) EXCLUSION FROM QUALIFIED BUSINESS INCOME.—Section 199A(c)(4) is amended by striking "and" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", and", and by adding at the end the following new subparagraph:

"(D) any amount with respect to which a deduction is allowable to the taxpayer under section 224(a) for the taxable year.".

(e) EXTENSION OF TIP CREDIT TO BEAUTY SERVICE BUSINESS.—Section 45B(b)(2) is amended to read as follows:

(1) IN GENERAL.—

"(2) APPLICATION ONLY TO CERTAIN LINES OF BUSINESS.—In applying paragraph (1) there shall be taken into account only tips received from customers or clients in connection with the following services:

"(A) The providing, delivering, or serving of food or beverages for consumption, if the tipping of employees delivering or serving food or beverages by customers is customary.

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

"(i) Barbering and hair care.

"(ii) Nail care.

"(iii) Esthetics.

"(iv) Body and spa treatments.".

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

(A) by striking "as in effect on January 1, 2007, and", and

(B) by inserting ", and in the case of food or beverage establishments, as in effect on January 1, 2007" after "without regard to section 3(m) of such Act".

(f) REPORTING REQUIREMENTS.—

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

(A) STATEMENT FURNISHED TO SECRETARY.— Section 6041(a) is amended by inserting "(including a separate accounting of any such amounts properly designated as tips and whether such tips are received in an occupation described in section 224(c)(1))" after "such gains, profits, and income".

(B) STATEMENT FURNISHED TO PAYEE.—Section 6041(d) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ", and", and by inserting after paragraph (2) the following new paragraph:

"(3) in the case of compensation to non-employees, the portion of payments that have been properly designated as tips and whether such tips are received in an occupation described in section 224(c)(1).".

(2) RETURNS FOR PAYMENTS MADE FOR SERVICES AND DIRECT SALES.—

(A) STATEMENT FURNISHED TO SECRETARY.— Section 6041A(a) is amended by inserting "(including a separate accounting of any such amounts properly designated as tips and whether such tips are received in an occupation described in section 224(c)(1))" after "amount of such payments".

(B) STATEMENT FURNISHED TO PAYEE.—Section 6041A(e) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ", and", and by inserting after paragraph (2) the following new paragraph:

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

(3) RETURNS RELATING TO THIRD PARTY SETTLEMENT ORGANIZATIONS.—

(A) STATEMENT FURNISHED TO SECRETARY.—Section 6050W(a) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting "and", and by adding at the end the following new paragraph:

"(3) in the case of a third party settlement organization, the portion of reportable payment transactions that have been properly designated by payors as tips and whether such tips are received in an occupation described in section 224(c)(1).".

(B) STATEMENT FURNISHED TO PAYEE.—Section 6050W(f)(2) is amended by inserting "(including a separate accounting of any such amounts that have been properly designated by payors as tips and whether such tips are re-

ceived in an occupation described in section 224(c)(1))" after "reportable payment transactions".

(4) RETURNS RELATED TO WAGES.—Section 6051(a) is amended by striking "and" at the end of paragraph (16), by striking the period at the end of paragraph (17) and inserting ", and", and by inserting after paragraph (17) the following new paragraph:

"(18) the total amount of tips reported by the employee under section 6053(a).".

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

"Sec. 224. Qualified tips.".

(h) PUBLISHED LIST OF OCCUPATIONS TRADITIONALLY RECEIVING TIPS.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury (or the Secretary's delegate) shall publish a list of occupations which traditionally and customarily received tips on or before December 31, 2024, for purposes of section 224(c)(1) (as added by subsection (a)).

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

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

SEC. 110102. NO TAX ON OVERTIME.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1, as amended by the preceding provisions of this Act, is amended by redesignating section 225 as section 226 and by inserting after section 224 the following new section:

"SEC. 225. QUALIFIED OVERTIME COMPENSATION.

"(a) IN GENERAL.—There shall be allowed as a deduction an amount equal to the qualified overtime compensation received during the taxable year.

"(b) QUALIFIED OVERTIME COMPENSATION.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified overtime compensation' means overtime compensation paid to an individual required under section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate (as used in such section) at which such individual is employed.

"(2) EXCLUSIONS.—Such term shall not include—

"(A) any qualified tip (as defined in section 224(c)), or

"(B) any amount received by an individual during a taxable year if such individual is a highly compensated employee (as defined in section 414(q)(1)) of any employer for the calendar year in which the taxable year begins, or receives earned income in excess of the dollar amount in effect under section 414(q)(1)(B)(i) for such calendar year.

"(c) SOCIAL SECURITY NUMBER REQUIRED.—

"(1) IN GENERAL.—No deduction shall be allowed under this section unless the taxpayer includes on the return of tax for the taxable year—

"(A) such individual's social security number (as defined in section 24(h)(7)), and

"(B) if the individual is married, the social security number of such individual's spouse.

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

"(d) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section.

"(e) TERMINATION.—No deduction shall be allowed under this section for any taxable year beginning after December 31, 2028.".

(b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—Section 63(b), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting "and", and by adding at the end the following new paragraph:

"(6) the deduction provided in section 225.".

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

"(19) the total amount of qualified overtime compensation (as defined in section 225(b)).".

(d) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (W), by striking the period at the end of subparagraph (X) and inserting ", and", and by inserting after subparagraph (X) the following new subparagraph:

"(Y) an omission of a correct social security number required under section 225(c) (relating to deduction for qualified overtime).".

(e) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1, as amended by the preceding provisions of this Act, is amended by redesignating the item relating to section 225 as an item relating to section 226 and by inserting after the item relating to section 224 the following new item:

"Sec. 225. Qualified overtime compensation.".

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

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

SEC. 110103. ENHANCED DEDUCTION FOR SENIORS.

(a) IN GENERAL.—Section 63(f) is amended by adding at the end the following new paragraph:

"(5) BONUS ADDITIONAL AMOUNT FOR SENIORS.—

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

"(B) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—In the case of any taxpayer for any taxable year, the $4,000 amount in subparagraph(A) shall be reduced (but not below zero) by 4 percent of so much of the taxpayer's modified adjusted gross income as exceeds $75,000 ($150,000 in the case of a joint return).

"(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

"(D) SOCIAL SECURITY NUMBER REQUIRED.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply unless the taxpayer includes on the return of tax for the taxable year—

"(I) such individual's social security number (as defined in section 24(h)(7)), and

"(II) if the individual is married, the social security number of such individual's spouse.

"(ii) MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this section.

"(E) COORDINATION WITH INFLATION ADJUSTMENT.—Subsection (c)(4) shall not apply to any dollar amount contained in this paragraph.

"(F) ALLOWANCE TO SENIORS WHO ELECT TO ITEMIZE.—In the case of a taxpayer who elects to itemize deductions for any taxable year beginning after December 31, 2024, and before January 1, 2029, there shall be allowed as a deduction the aggregate increase which would be determined under subparagraph (A) (determined after the application of subparagraphs (B), (D), and (E)) with respect to such taxpayer for such taxable year if such taxpayer did not so elect to itemize deductions for such taxable year.".

(b) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (X), by striking the period at the end of subparagraph (Y) and inserting ", and", and by inserting after subparagraph (Y) the following new subparagraph:

"(Z) an omission of a correct social security number required under section 63(f)(5)(D) (relating to bonus additional amount for seniors).".

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

SEC. 110104. NO TAX ON CAR LOAN INTEREST.

(a) IN GENERAL.—Section 163(h) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

"(4) SPECIAL RULES FOR TAXABLE YEARS 2024 THROUGH 2028 RELATING TO QUALIFIED PASSENGER VEHICLE LOAN INTEREST.—

"(A) IN GENERAL.—In the case of taxable years beginning after December 31, 2024, and before January 1, 2029, for purposes of this subsection the term 'personal interest' shall not include qualified passenger vehicle loan interest.

"(B) QUALIFIED PASSENGER VEHICLE LOAN INTEREST DEFINED.—

"(i) IN GENERAL.—For purposes of this paragraph, the term 'qualified passenger vehicle loan interest' means any interest which is paid or accrued during the taxable year on indebtedness incurred by the taxpayer after December 31, 2024, for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use.

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

"(I) A loan to finance fleet sales.

"(II) A personal cash loan secured by a vehicle previously purchased by the taxpayer.

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

"(IV) Any lease financing.

"(V) A loan to finance the purchase of a vehicle with a salvage title.

"(VI) A loan to finance the purchase of a vehicle intended to be used for scrap or parts.

"(C) LIMITATIONS.—

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

"(ii) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

"(I) IN GENERAL.—The amount which is otherwise allowable as a deduction under subsection (a) as qualified passenger vehicle loan interest (determined without regard to this clause and after the application of clause (i)) shall be reduced (but not below zero) by $200 for each $1,000 (or portion thereof) by which the modified adjusted gross income of the taxpayer for the taxable year exceeds $100,000 ($200,000 in the case of a joint return).

"(II) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this clause, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

"(D) APPLICABLE PASSENGER VEHICLE.—The term 'applicable passenger vehicle' means any vehicle—

"(i)(I) which is manufactured primarily for use on public streets, roads, and highways,

"(II) which has at least 2 wheels, and

"(III) which is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle,

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

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

"(I) is designed to provide temporary living quarters for recreational, camping, or seasonal use, and

"(II) is a motor vehicle or is designed to be towed by, or affixed to, a motor vehicle.

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

"(E) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(i) ALL-TERRAIN VEHICLE.—The term 'all-terrain vehicle' means any motorized vehicle which has 3 or 4 wheels, a seat designed to be straddled by the operator, and handlebars for steering control.

"(ii) FINAL ASSEMBLY.—For purposes of subparagraph (D), the term 'final assembly' means the process by which a manufacturer produces a vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer or importer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.

"(iii) TREATMENT OF REFINANCING.—Indebtedness described in subparagraph (B) shall include indebtedness that results from refinancing any indebtedness described in such subparagraph, and that is secured by a first lien on the applicable passenger vehicle with respect to which the refinanced indebtedness was incurred, but only to the extent the amount of such resulting indebtedness does not exceed the amount of such refinanced indebtedness.

"(iv) RELATED PARTIES.—Indebtedness described in subparagraph (B) shall not include any indebtedness owed to a person who is related (within the meaning of section 267(b) or 707(b)(1)) to the taxpayer.".

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES.—Section 62(a) is amended by inserting after paragraph (21) the following new paragraph:

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

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

"SEC. 6050AA. RETURNS RELATING TO APPLICABLE PASSENGER VEHICLE LOAN INTEREST RECEIVED IN TRADE OR BUSINESS FROM INDIVIDUALS.

"(a) IN GENERAL.—Any person—

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

"(2) who, in the course of such trade or business, receives from any individual interest aggregating $600 or more for any calendar year on a specified passenger vehicle loan,

shall make the return described in subsection (b) with respect to each individual from whom such interest was received at such time as the Secretary may provide.

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

"(1) is in such form as the Secretary may prescribe, and

"(2) contains—

"(A) the name and address of the individual from whom the interest described in subsection (a)(2) was received,

"(B) the amount of such interest received for the calendar year,

"(C) the amount of outstanding principal on the specified passenger vehicle loan as of the beginning of such calendar year,

"(D) the date of the origination of such loan,

"(E) the year, make, and model of the applicable passenger vehicle which secures such loan (or such other description of such vehicle as the Secretary may prescribe), and

"(F) such other information as the Secretary may prescribe.

"(c) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

"(1) the name, address, and phone number of the information contact of the person required to make such return, and

"(2) the information described in subparagraphs (B), (C), (D), and (E) of subsection (b)(2) with respect to such individual (and such information as is described in subsection (b)(2)(F) with respect to such individual as the Secretary may provide for purpoeses of this subsection).

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

"(d) DEFINITIONS.—For purposes of this section—

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

"(2) SPECIFIED PASSENGER VEHICLE LOAN.—The term 'specified passenger vehicle loan' means the indebtedness described in section 163(h)(4)(B) with respect to any applicable passenger vehicle.

"(e) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance to prevent the duplicate reporting of information under this section.".

(d) CONFORMING AMENDMENTS.—

(1) Section 56(e)(1)(B) is amended by striking "section 163(h)(4)" and inserting "section 163(h)(5)".

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

"Sec. 6050AA. Returns relating to applicable passenger vehicle loan interest received in trade or business from individuals.".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to indebtedness incurred after December 31, 2024.

SEC. 110105. ENHANCEMENT OF EMPLOYER-PROVIDED CHILD CARE CREDIT.

(a) INCREASE OF AMOUNT OF QUALIFIED CHILD CARE EXPENDITURES TAKEN INTO ACCOUNT.—Section 45F(a)(1) is amended by striking "25 percent" and inserting "40 percent (50 percent in the case of an eligible small business)".

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

"(b) DOLLAR LIMITATION.—

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

"(2) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2026, the $500,0000 and $600,000 amounts in paragraph (1) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.".

(c) ELIGIBLE SMALL BUSINESS.—Section 45F(c) is amended by adding at the end the following new paragraph:

"(4) ELIGIBLE SMALL BUSINESS.—The term 'eligible small business' means a business that meets the gross receipts test of section 448(c), determined—

"(A) by substituting '5-taxable-year' for '3-taxable-year' in paragraph (1) thereof, and

"(B) by substituting '5-year' for '3-year' each place such term appears in paragraph (3)(A) thereof.".

(d) CREDIT ALLOWED FOR THIRD-PARTY INTERMEDIARIES.—Section 45F(c)(1)(A)(iii) is amended by inserting ", or under a contract with an intermediate entity that contracts with one or more qualified child care facilities to provide such child care services" before the period at the end.

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

"(C) TREATMENT OF JOINTLY OWNED OR OPERATED CHILD CARE FACILITY.—A facility shall not fail to be treated as a qualified child care facility of the taxpayer merely because such facility is jointly owned or operated by the taxpayer and other persons.".

(f) REGULATIONS AND GUIDANCE.—Section 45F is amended by adding at the end the following new subsection:

"(g) REGULATIONS AND GUIDANCE.—The Secretary shall issue such regulations or other guidance as may be necessary to carry out the purposes of this section, including guidance to carry out the purposes of paragraphs (1)(A)(iii) and (2)(C) of subsection (c).".

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

SEC. 110106. EXTENSION AND ENHANCEMENT OF PAID FAMILY AND MEDICAL LEAVE CREDIT.

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

(1) in subsection (a)—

(A) by striking paragraph (1) and inserting the following:

"(1) IN GENERAL.—For purposes of section 38, in the case of an eligible employer, the paid family and medical leave credit is an amount equal to either of the following (as elected by such employer):

"(A) The applicable percentage of the amount of wages paid to qualifying employees with respect to any period in which such employees are on family and medical leave.

"(B) If such employer has an insurance policy with regards to the provision of paid family and medical leave which is in force during the taxable year, the applicable percentage of the total amount of premiums paid or incurred by such employer during such taxable year with respect to such insurance policy.", and

(B) by adding at the end the following:

"(3) RATE OF PAYMENT DETERMINED WITHOUT REGARD TO WHETHER LEAVE IS TAKEN.—For purposes of determining the applicable percentage with respect to paragraph (1)(B), the rate of payment under the insurance policy shall be determined without regard to whether any qualifying employees were on family and medical leave during the taxable year.",

(2) in subsection (b)(1), by striking "credit allowed" and inserting "wages taken into account",

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

"(3) AGGREGATION RULE.—

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

"(B) EXCEPTION.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply to any person who establishes to the satisfaction of the Secretary that such person has a substantial and legitimate business reason for failing to provide a written policy described in paragraph (1) or (2).

"(ii) SUBSTANTIAL AND LEGITIMATE BUSINESS REASON.—For purposes of clause (i), the term 'substantial and legitimate business reason' shall not include the operation of a separate line of business, the rate of wages or category of jobs for employees (or any similar basis), or the application of State or local laws relating to family and medical leave, but may include the grouping of employees of a common law employer.

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

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

"(B) shall not be taken into account in determining the amount of the paid family and medical leave credit under subsection (a).",

(4) in subsection (d)—

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

(B) in paragraph (2)—

(i) by inserting ", as determined on an annualized basis (pro-rata for part-time employees)," after "compensation", and

(ii) by striking the period at the end and inserting ", and", and

(C) by adding at the end the following:

"(3) is customarily employed for not less than 20 hours per week.", and

(5) by striking subsection (i).

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

(1) by striking "45S(a)" and inserting "45S(a)(1)(A)", and

(2) by inserting after the first sentence the following: "No deduction shall be allowed for that portion of the premiums paid or incurred for the taxable year which is equal to that portion of the paid family and medical leave credit which is determined for the taxable year under section 45S(a)(1)(B)."

(c) OUTREACH.—

(1) SBA AND RESOURCE PARTNERS.—Each district office of the Small Business Administration and each resource partner of the Small Business Administration, including small business development centers described in section 21 of the Small Business Act (15 U.S.C. 648)), women's business centers described in section 29 of such Act (15 U.S.C. 656), each chapter of the Service Corps of Retired Executives described in section 8(b)(1)(B) of such Act (15 U.S.C. 637(b)(1)(B)), and Veteran Business Outreach Centers described in section 32 of such Act (15 U.S.C. 657b), shall conduct outreach to relevant parties regarding the paid family and medical leave credit under section 45S of the Internal Revenue Code of 1986, including through—

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

(B) the development of a written paid family leave policy, as described in paragraphs (1) and (2) of section 45S(c) of the Internal Revenue Code of 1986.

(2) INTERNAL REVENUE SERVICE.—The Secretary of the Treasury (or the Secretary's delegate) shall perform targeted outreach to employers and other relevant entities regarding the availability and requirements of the paid family and medical leave credit under section 45S of the Internal Revenue Code of

1986, including providing relevant information as part of Internal Revenue Service communications that are regularly issued to entities that provide payroll services, tax professionals, and small businesses.

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

SEC. 110107. ENHANCEMENT OF ADOPTION CREDIT.

(a) IN GENERAL.—Section 23(a) is amended by adding at the end the following new paragraph:

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

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

"(h) ADJUSTMENTS FOR INFLATION.—

"(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in paragraphs (3) and (4) of subsection (a) and paragraphs (1) and (2)(A)(i) of subsection (b) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) ROUNDING.—If any amount as increased under paragraph (1) is not a multiple of $10, such amount shall be rounded to the nearest multiple of $10.

"(3) SPECIAL RULE FOR REFUNDABLE PORTION.—In the case of the dollar amount in subsection (a)(4), paragraph (1) shall be applied—

"(A) by substituting '2025' for '2002' in the matter preceding subparagraph (A), and

"(B) by substituting 'calendar year 2024' for 'calendar year 2001' in subparagraph (B) thereof.".

(c) EXCLUSION OF REFUNDABLE PORTION OF CREDIT FROM CARRYFORWARD.—Section 23(c)(1) is amended by striking "credit allowable under subsection (a)" and inserting "portion of the credit allowable under subsection (a) which is allowed under this subpart".

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

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

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

(1) in subparagraph (A), by inserting "or Indian tribal government" after "a State", and

(2) in subparagraph (B), by inserting "or Indian tribal government" after "such State".

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

SEC. 110109. TAX CREDIT FOR CONTRIBUTIONS OF INDIVIDUALS TO SCHOLARSHIP GRANTING ORGANIZATIONS.

(a) ALLOWANCE OF CREDIT.—

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

"SEC. 25F. QUALIFIED ELEMENTARY AND SECONDARY EDUCATION SCHOLARSHIPS.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the aggregate amount of qualified contributions made by the taxpayer during the taxable year.

"(b) LIMITATIONS.—

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

"(A) 10 percent of the adjusted gross income of the taxpayer for the taxable year, or

"(B) $5,000.

"(2) ALLOCATION OF VOLUME CAP.—The credit allowed under subsection (a) to any taxpayer for any taxable year shall not exceed the amount of the volume cap allocated by the Secretary to such taxpayer under subsection (g) with respect to qualified contributions made by the taxpayer during the taxable year.

"(3) REDUCTION BASED ON STATE CREDIT.—The amount allowed as a credit under subsection (a) for a taxable year shall be reduced by the amount allowed as a credit on any State tax return of the taxpayer for qualified contributions made by the taxpayer during the taxable year.

"(c) DEFINITIONS.—For purposes of this section—

"(1) ELIGIBLE STUDENT.—The term 'eligible student' means an individual who—

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

"(B) is eligible to enroll in a public elementary or secondary school.

"(2) QUALIFIED CONTRIBUTION.—The term 'qualified contribution' means a charitable contribution (as defined by section 170(c)) to a scholarship granting organization in the form of cash or marketable securities.

"(3) QUALIFIED ELEMENTARY OR SECONDARY EDUCATION EXPENSE.—The term 'qualified elementary or secondary education expense' means the following expenses in connection with enrollment or attendance at, or for students enrolled at or attending, an elementary or secondary public, private, or religious school:

"(A) Tuition.

"(B) Curriculum and curricular materials.

"(C) Books or other instructional materials.

"(D) Online educational materials.

"(E) Tuition for tutoring or educational classes outside of the home, including at a tutoring facility, but only if the tutor or instructor is not related to the student and—

"(i) is licensed as a teacher in any State,

"(ii) has taught at an eligible educational institution, or

"(iii) is a subject matter expert in the relevant subject.

"(F) Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or any examinations related to college or university admission.

"(G) Fees for dual enrollment in an institution of higher education.

"(H) Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies.

Such term shall include expenses for the purposes described in subparagraphs (A) through (H) in connection with a homeschool (whether treated as a homeschool or a private school for purposes of applicable State law). No amount paid to an elementary or secondary school shall be considered a qualified elementary or secondary education expense for the purposes of this section unless such school demonstrates that it maintains a policy whereby its admissions standards do not take into account whether the student seeking enrollment has a current individualized education plan, nor takes into account that the student requires equitable services for a learning disability, and if a student does have such an individualized education plan, the school abides by the plan's terms and provides services outlined therein.

"(4) SCHOLARSHIP GRANTING ORGANIZATION.—The term 'scholarship granting organization' means any organization—

"(A) which—

"(i) is described in section 501(c)(3) and exempt from tax under section 501(a), and

"(ii) is not a private foundation,

"(B) substantially all of the activities of which are providing scholarships for qualified elementary or secondary education expenses of eligible students,

"(C) which prevents the co-mingling of qualified contributions with other amounts by maintaining one or more separate accounts exclusively for qualified contributions, and

"(D) which either—

"(i) meets the requirements of subsection (d), or

"(ii) pursuant to State law, was able (as of the date of the enactment of this section) to receive contributions that are eligible for a State tax credit if such contributions are used by the organization to provide scholarships to individual elementary and secondary students, including scholarships for attending private schools.

"(d) REQUIREMENTS FOR SCHOLARSHIP GRANTING ORGANIZATIONS.—

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

"(A) such organization provides scholarships to 2 or more students, provided that not all such students attend the same school,

"(B) such organization does not provide scholarships for any expenses other than qualified elementary or secondary education expenses,

"(C) such organization provides a scholarship to eligible students with a priority for—

"(i) students awarded a scholarship the previous school year, and

"(ii) after application of clause (i), any such students who have a sibling who was awarded a scholarship from such organization,

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

"(E) such organization takes appropriate steps to verify the annual household income and family size of eligible students to whom it awards scholarships, and limits them to a member of a household for which the income does not exceed the amount established under subsection (c)(1)(A),

"(F) such organization—

"(i) obtains from an independent certified public accountant annual financial and compliance audits, and

"(ii) certifies to the Secretary (at such time, and in such form and manner, as the Secretary may prescribe) that the audit described in clause (i) has been completed, and

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

"(2) INCOME VERIFICATION.—For purposes of paragraph (1)(E), review of all of the following (as applicable) shall be treated as satisfying the requirement to take appropriate steps to verify annual household income:

"(A) Federal and State income tax returns or tax return transcripts with applicable schedules for the taxable year prior to application.

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

"(C) Notarized income verification letter from employers.

"(D) Unemployment or workers compensation statements.

"(E) Budget letters regarding public assistance payments and Supplemental Nutrition Assistance Program (SNAP) payments including a list of household members.

"(3) INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT.—For purposes of paragraph (1)(F), the term 'independent certified public accountant' means, with respect to an organization, a certified public accountant who is not a person described in sec-

tion 465(b)(3)(A) with respect to such organization or any employee of such organization.

"(4) PROHIBITION ON SELF-DEALING.—

"(A) IN GENERAL.—A scholarship granting organization may not award a scholarship to any disqualified person.

"(B) DISQUALIFIED PERSON.—For purposes of this paragraph, a disqualified person shall be determined pursuant to rules similar to the rules of section 4946.

"(e) DENIAL OF DOUBLE BENEFIT.—Any qualified contribution for which a credit is allowed under this section shall not be taken into account as a charitable contribution for purposes of section 170.

"(f) CARRYFORWARD OF UNUSED CREDIT.—

"(1) IN GENERAL.—If the credit allowable under subsection (a) for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section, section 23, and section 25D), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

"(2) LIMITATION.—No credit may be carried forward under this subsection to any taxable year following the fifth taxable year after the taxable year in which the credit arose. For purposes of the preceding sentence, credits shall be treated as used on a first-in first-out basis.

"(g) VOLUME CAP.—

"(1) IN GENERAL.—The volume cap applicable under this section shall be $5,000,000,000 for each of calendar years 2026 through 2029, and zero for calendar years thereafter. Such amount shall be allocated by the Secretary as provided in paragraph (2) to taxpayers with respect to qualified contributions made by such taxpayers, except that 10 percent of such amount shall be divided evenly among the States, and shall be available with respect to individuals residing in such States.

"(2) FIRST-COME, FIRST-SERVE.—For purposes of applying the volume cap under this section, such volume cap for any calendar year shall be allocated by the Secretary on a first-come, first-serve basis, as determined based on the time (during such calendar year) at which the taxpayer made the qualified contribution with respect to which the allocation is made. The Secretary shall not make any allocation of volume cap for any calendar year after December 31 of such calendar year.

"(3) REAL-TIME INFORMATION.—For purposes of this section, the Secretary shall develop a system to track the amount of qualified contributions made during the calendar year for which a credit may be claimed under this section, with such information to be updated in real time.

"(4) ANNUAL INCREASES.—

"(A) IN GENERAL.—In the case of the calendar year after a high-use calendar year, the dollar amount otherwise in effect under paragraph (1) for such calendar year shall be equal to 105 percent of the dollar amount in effect for such high-use calendar year.

"(B) HIGH-USE CALENDAR YEAR.—For purposes of this subsection, the term 'high-use calendar year' means any

calendar year for which 90 percent or more of the volume cap in effect for such calendar year under paragraph (1) is allocated to taxpayers.

"(C) PREVENTION OF DECREASES IN ANNUAL VOLUME CAP.—The volume cap in effect under paragraph (1) for any calendar year shall not be less than the volume cap in effect under such paragraph for the preceding calendar year.

"(D) PUBLICATION OF ANNUAL VOLUME CAP.—The Secretary shall make publicly available the dollar amount of the volume cap in effect under paragraph (1) for each calendar year.

"(5) STATES.—For purposes of this subsection, the term 'State' includes the District of Columbia.".

(2) CONFORMING AMENDMENTS.—

(A) Section 25(e)(1)(C) is amended by striking "and 25D" and inserting "25D, and 25F".

(B) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25E the following new item:

"Sec. 25F. Qualified elementary and secondary education scholarships.".

(b) FAILURE OF SCHOLARSHIP GRANTING ORGANIZATIONS TO MAKE DISTRIBUTIONS.—

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

"Subchapter I—Scholarship Granting Organizations

"Sec. 4969. Failure to distribute receipts.

"SEC. 4969. FAILURE TO DISTRIBUTE RECEIPTS.

"(a) IN GENERAL.—In the case of any scholarship granting organization (as defined in section 25F) which has been determined by the Secretary to have failed to satisfy the requirement under subsection (b) for any taxable year, any contribution made to such organization during the first taxable year beginning after the date of such determination shall not be treated as a qualified contribution (as defined in section 25F(c)(2)) for purposes of section 25F.

"(b) REQUIREMENT.—The requirement described in this subsection is that the amount of receipts of the scholarship granting organization for the taxable year which are distributed before the distribution deadline with respect to such receipts shall not be less than the required distribution amount with respect to such taxable year.

"(c) DEFINITIONS.—For purposes of this section—

"(1) REQUIRED DISTRIBUTION AMOUNT.—

"(A) IN GENERAL.—The required distribution amount with respect to a taxable year is the amount equal to 100 percent of the total receipts of the scholarship granting organization for such taxable year—

"(i) reduced by the sum of such receipts that are retained for reasonable administrative expenses for the taxable year or are carried to the succeeding taxable year under subparagraph (C), and

"(ii) increased by the amount of the carryover under subparagraph (C) from the preceding taxable year.

"(B) SAFE HARBOR FOR REASONABLE ADMINISTRATIVE EXPENSES.—For purposes of subparagraph (A)(i), if the percentage of total receipts of a scholarship granting organization for a taxable year which are used for administrative purposes is equal to or less than 10 percent, such expenses shall be deemed to be reasonable for purposes of such subparagraph.

"(C) CARRYOVER.—With respect to the amount of the total receipts of a scholarship granting organization with respect to any taxable year, an amount not greater than 15 percent of such amount may, at the election of such organization, be carried to the succeeding taxable year.

"(2) DISTRIBUTIONS.—The term 'distribution' includes amounts which are formally committed but not distributed. A formal commitment described in the preceding sentence may include contributions set aside for eligible students for more than one year.

"(3) DISTRIBUTION DEADLINE.—The distribution deadline with respect to receipts for a taxable year is the first day of the third taxable year following the taxable year in which such receipts are received by the scholarship granting organization.".

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

"SUBCHAPTER I—SCHOLARSHIP GRANTING ORGANIZATIONS".

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

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

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

"(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION.—Any reference in this section to the term 'qualified higher education expense' shall include a reference to the following expenses in connection with enrollment or attendance at, or for students enrolled at or attending, an elementary or secondary public, private, or religious school:

"(A) Tuition.

"(B) Curriculum and curricular materials.

"(C) Books or other instructional materials.

"(D) Online educational materials.

"(E) Tuition for tutoring or educational classes outside of the home, including at a tutoring facility, but only if the tutor or instructor is not related to the student and—

"(i) is licensed as a teacher in any State,

"(ii) has taught at an eligible educational institution, or

"(iii) is a subject matter expert in the relevant subject.

"(F) Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or

any examinations related to college or university admission.

"(G) Fees for dual enrollment in an institution of higher education.

"(H) Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies.

Such term shall include expenses for the purposes described in subparagraphs (A) through (H) in connection with a homeschool (whether treated as a homeschool or a private school for purposes of applicable State law).".

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

SEC. 110111. CERTAIN POSTSECONDARY CREDENTIALING EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS.

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

"(C) CERTAIN POSTSECONDARY CREDENTIALING EXPENSES.—The term 'qualified higher education expenses' includes qualified postsecondary credentialing expenses (as defined in subsection (f)).".

(b) QUALIFIED POSTSECONDARY CREDENTIALING EXPENSES.—Section 529 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"(f) QUALIFIED POSTSECONDARY CREDENTIALING EXPENSES.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified postsecondary credentialing expenses' means—

"(A) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in a recognized postsecondary credential program, or any other expense incurred in connection with enrollment in or attendance at a recognized postsecondary credential program if such expense would, if incurred in connection with enrollment or attendance at an eligible educational institution, be covered under subsection (e)(3)(A),

"(B) fees for testing if such testing is required to obtain or maintain a recognized postsecondary credential, and

"(C) fees for continuing education if such education is required to maintain a recognized postsecondary credential.

"(2) RECOGNIZED POSTSECONDARY CREDENTIAL PROGRAM.—The term 'recognized postsecondary credential program' means any program to obtain a recognized postsecondary credential if—

"(A) such program is included on a State list prepared under section 122(d) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3152(d)),

"(B) such program is listed in the WEAMS Public directory (or successor directory) maintained by the Department of Veterans Affairs,

"(C) an examination (developed or administered by an organization widely recognized as providing reputable credentials in the occupation) is required to obtain or maintain such credential and such organization recognizes such program as providing training or education which prepares individuals to take such examination, or

"(D) such program is identified by the Secretary, after consultation with the Secretary of Labor, as being a reputable program for obtaining a recognized postsecondary credential for purposes of this subsection.

"(3) RECOGNIZED POSTSECONDARY CREDENTIAL.—The term 'recognized postsecondary credential' means—

"(A) any postsecondary employment credential that is industry recognized, including—

"(i) any postsecondary employment credential issued by a program that is accredited by the Institute for Credentialing Excellence, the National Commission on Certifying Agencies, or the American National Standards Institute,

"(ii) any postsecondary employment credential that is included in the Credentialing Opportunities On-Line (COOL) directory of credentialing programs (or successor directory) maintained by the Department of Defense or by any branch of the Armed Services, and

"(iii) any postsecondary employment credential identified for purposes of this clause by the Secretary, after consultation with the Secretary of Labor, as being industry recognized,

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

"(C) any occupational or professional license issued or recognized by a State or the Federal Government (and any certification that satisfies a condition for obtaining such a license), and

"(D) any recognized postsecondary credential as defined in section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102).".

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

SEC. 110112. REINSTATEMENT OF PARTIAL DEDUCTION FOR CHARITABLE CONTRIBUTIONS OF INDIVIDUALS WHO DO NOT ELECT TO ITEMIZE.

(a) IN GENERAL.—Section 170(p) is amended—

(1) by striking "$300 ($600" and inserting "$150 ($300", and

(2) by striking "in 2021" and inserting "after December 31, 2024, and before January 1, 2029".

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

SEC. 110113. EXCLUSION FOR CERTAIN EMPLOYER PAYMENTS OF STUDENT LOANS UNDER EDUCATIONAL ASSISTANCE PROGRAMS MADE PERMANENT AND ADJUSTED FOR INFLATION.

(a) IN GENERAL.—Section 127(c)(1)(B) is amended by striking "in the case of payments made before January 1, 2026,".

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

(1) by redesignating subsection (d) as subsection (e), and

(2) by inserting after subsection (c) the following new subsection:

"(d) INFLATION ADJUSTMENT.—

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

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) ROUNDING.—If any increase under paragraph (1) is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.".

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

SEC. 110114. EXTENSION OF RULES FOR TREATMENT OF CERTAIN DISASTER-RELATED PERSONAL CASUALTY LOSSES.

For purposes of applying section 304(b) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (division EE of Public Law 116–260), section 301 of such Act shall be applied by substituting the date of the enactment of this section for "the date of the enactment of this Act" each place it appears.

SEC. 110115. MAGA ACCOUNTS.

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

"PART IX—MAGA ACCOUNTS

"SEC. 530A. MAGA ACCOUNTS.

"(a) GENERAL RULE.—A MAGA account shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, such account shall be subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

"(b) MAGA ACCOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'money account for growth and advancement' or 'MAGA account' means a trust created or organized in the United States for the exclusive benefit of an individual and which is designated (in such manner as the Secretary shall prescribe) at the time of the establishment of the trust as a MAGA account, but only if the written governing instrument creating the trust meets the following requirements:

"(A) The individual establishing the account shall provide to the trustee the social security number of such individual and of the account beneficiary.

"(B) Except in the case of a qualified rollover contribution described in subsection (e), no contribution will be accepted—

"(i) before January 1, 2026,

"(ii) unless it is in cash,

"(iii) unless the account beneficiary has not attained age 18, and

"(iv) if such contribution would result in aggregate contributions for the taxable year exceeding the contribution limit specified in subsection (c)(1).

"(C) No distribution (other than a distribution of a qualified rollover contribution) will be allowed—

"(i) before the date on which the account beneficiary attains age 18, or

"(ii) in the case of such an account the account beneficiary of which has not attained age 25, if the aggregate distributions from such account exceeds the amount that is ½ the cash equivalent value of the account on the date on which the account beneficiary attains age 18.

"(D) The account beneficiary has not attained age 8 on the date of the establishment of the account.

"(E) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section or who has so demonstrated with respect to any individual retirement plan.

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

"(G) The assets of the trust shall not be commingled with other property except in a common trust fund or common investment fund.

"(H) No part of the trust funds will be invested in any asset other than eligible investments.

"(2) ELIGIBLE INVESTMENTS.—The term 'eligible investments' means stock of a regulated investment company (within the meaning of section 851) which—

"(A) tracks a well-established index of United States equities (or which invests in an equivalent diversified portfolio of United States equities),

"(B) does not use leverage,

"(C) minimizes fees and expenses, and

"(D) meets such other criteria as the Secretary determines appropriate for purposes of this section.

"(3) ACCOUNT BENEFICIARY.—The term 'account beneficiary' means the individual on whose behalf the MAGA account was established.

"(c) TREATMENT OF CONTRIBUTIONS.—

"(1) CONTRIBUTION LIMIT.—The contribution limit for any taxable year is $5,000.

"(2) CONTRIBUTIONS FROM TAX EXEMPT SOURCES AND ROLLOVER CONTRIBUTIONS.—The amount contributed to a MAGA ac-

count for purposes of paragraph (1) shall be determined without regard to—

"(A) a qualified rollover contribution,

"(B) any contribution from the Federal Government or any State, local, or tribal government, or

"(C) any contribution made through the program established under subsection (l).

"(3) COST-OF-LIVING ADJUSTMENT.—

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

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

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

"(d) DISTRIBUTIONS.—

"(1) AMOUNTS ALLOCABLE TO INVESTMENT IN THE CONTRACT.—A distribution from a MAGA account of an amount allocable to the investment in the contract shall not be includible in the gross income of the distributee.

"(2) AMOUNTS ALLOCABLE TO INCOME ON THE CONTRACT USED FOR QUALIFIED EXPENSES.—A distribution from a MAGA account of an amount allocable to income on the contract and which is used exclusively to pay for qualified expenses shall be includible in net capital gain of the distributee under section 1(h)(12).

"(3) AMOUNTS INCLUDIBLE IN GROSS INCOME.—Any distribution from a MAGA account which is not described in paragraph (1) or (2) shall be includible in the gross income of the distributee.

"(4) QUALIFIED EXPENSES.—For purposes of this subsection, the term 'qualified expenses' means any of the following expenses paid or incurred for the benefit of the account beneficiary:

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

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

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

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

"(5) EXCEPTIONS.—Paragraphs (2) and (3) shall not apply to any distribution which is a qualified rollover contribution.

"(6) ADDITIONAL TAX ON CERTAIN DISTRIBUTIONS.—In the case of a distributee who has not attained age 30, the tax imposed by this chapter on the account beneficiary for any taxable year in which there is a distribution from a MAGA account of such beneficiary which is includible in gross income under paragraph (3) shall be increased by 10 percent of the amount which is so includible.

"(e) QUALIFIED ROLLOVER CONTRIBUTION.—For purposes of this section, the term 'qualified rollover contribution' means an amount which is paid in a direct trustee-to-trustee transfer from a MAGA account maintained for the benefit of the account beneficiary to a MAGA account maintained for such beneficiary.

"(f) TREATMENT AFTER DEATH OF ACCOUNT BENEFICIARY.—Rules similar to the rules of section 223(f)(8) shall apply for purposes of this section.

"(g) DETERMINATIONS OF AGGREGATE DISTRIBUTIONS AND INVESTMENT IN CONTRACT IN THE CASE OF CERTAIN ROLLOVER CONTRIBUTIONS.—In the case of a qualified rollover contribution which is described in subsection (e)(2), any determination required under this section of the amount of the investment of the contract or of aggregate distributions from the MAGA account shall be determined with respect to the aggregate of such amounts for all MAGA accounts of the same account beneficiary.

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

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

"(2) the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Secretary, that the manner in which he will administer the account will be consistent with the requirements of this section.

For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the person holding the assets of such account shall be treated as the trustee thereof.

"(i) TERMINATION.—

"(1) AGE 31.—Upon the date on which the account beneficiary attains age 31, a MAGA account shall cease to be a MAGA account and the amount in such account shall be treated as distributed for purposes of subsection (d).

"(2) MULTIPLE ACCOUNTS OF ONE BENEFICIARY.—

"(A) IN GENERAL.—In the case of any duplicate MAGA account of any account beneficiary other than a MAGA account which is established by the deposit through a qualified rollover contribution of the entire amount of another MAGA account of the account beneficiary—

"(i) such duplicate MAGA account shall cease to be a MAGA account and the amount in such account shall be treated as distributed for purposes of subsection (d), and

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

"(B) WITHHOLDING REQUIREMENT.—In the case of an account terminated under subparagraph (A), the trustee shall deduct and withhold upon the amount to be distributed the amount in excess described in subparagraph (A)(ii).

"(C) NOTIFICATION.—The Secretary, upon determining that a duplicate account exists, shall provide a notice to the account beneficiary of such duplicate account (and the account custodian, in the case of a custodial account) and to each trustee of any MAGA account of the account beneficiary of such duplicate account which identifies each MAGA account of such beneficiary and the trustee of each such account.

"(D) DUPLICATE ACCOUNT.—For purposes of this paragraph, the term 'duplicate account' means—

"(i) in the case of an account beneficiary for the benefit of whom an account was established by the Secretary under section 6434, any other MAGA account of such account beneficiary, or

"(ii) in the case of any other account beneficiary, any MAGA account established after the first MAGA account established for the benefit of such account beneficiary.

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

"(k) REPORTS.—The trustee of a MAGA account shall make such reports regarding such account to the Secretary and to the beneficiary of the account with respect to contributions, distributions, the amount of investment in the contract, and such other matters as the Secretary may require. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required.

"(l) CONTRIBUTIONS TO PREDOMINATELY UNRELATED CHILDREN.—The Secretary shall establish a program through which contributions may be made to the MAGA accounts of a large group of account beneficiaries if—

"(1) the contribution is made by any person described in any paragraph of section 501(c) and exempt from taxation under section 501(a),

"(2) such accounts are selected on the basis of the location of the residence of the account beneficiaries, the school district in which such beneficiaries attend school, or another basis the Secretary determines appropriate, and

"(3) all individuals who are account beneficiaries of such an account who meet the selected criteria receive an equal portion of the contribution.".

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

"(12) DISTRIBUTIONS FROM MAGA ACCOUNT TAXED AS NET CAPITAL GAIN.—For purposes of this subsection, the term 'net capital gain' means the net capital gain (determined without regard to this paragraph) increased by the amount includible in net capital gain under this paragraph by reason of section 530A(d)(2).".

(c) TAX ON EXCESS CONTRIBUTIONS.—

(1) IN GENERAL.—Section 4973(a) is amended by striking "or" at the end of paragraph (5), by inserting "or" at the end of paragraph (6), and by inserting after paragraph (6) the following new paragraph:

"(7) a MAGA account (as defined in section 530A(b)),".

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

"(i) EXCESS CONTRIBUTIONS TO A MAGA ACCOUNT.—For purposes of this section, in the case of MAGA accounts (within the meaning of section 530A), the term 'excess contributions' means the sum of—

"(1) the amount by which the amount contributed for the calendar year to such account (other than qualified rollover contributions (as defined in section 530A(e))) exceeds the contribution limit under section 530A(c)(1) (determined without regard to contributions described in section 530A(c)(2)), and

"(2) the amount determined under this subsection for the preceding calendar year, reduced by the excess (if any) of the maximum amount allowable as a contribution under section 530A(c)(1) (as so determined) for the calendar year over the amount contributed to the account for the calendar year (other than qualified rollover contributions (as so defined)).".

(d) DISCLOSURE OF RETURN INFORMATION TO FACILITATE CERTAIN CONTRIBUTIONS.—Section 6103(l) is amended by adding at the end the following new paragraph:

"(23) DISCLOSURE OF RETURN INFORMATION TO ENABLE CERTAIN CONTRIBUTIONS TO MAGA ACCOUNTS.—Upon written request signed by the head of the bureau or office of the Department of the Treasury requesting the inspection or disclosure, the Secretary may disclose the following return information with respect to a MAGA account (as defined in section 503A(b)) to officers and employees of such bureau or office to the extent that such disclosure is necessary to carry out section 530A(l):

"(A) Information necessary to identify the account holders in a particular class of beneficiaries identified by a donor as the intended recipients.

"(B) The name, address, and social security number of a beneficiary.

"(C) The account custodian and the address of such custodian.

"(D) The account number.

"(E) The routing number.

"(F) To the extent determined by the Secretary in regulations, such other return information as the Secretary determines necessary to ensure proper routing of funds

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

(e) FAILURE TO PROVIDE REPORTS ON MAGA ACCOUNTS.—Section 6693(a)(2) is amended by striking "and" at the end of subparagraph (E), by striking the period at the end of subparagraph (F) and inserting ", and", and by adding at the end the following new subparagraph:

"(G) section 530A(h) (relating to MAGA accounts).".

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

"PART IX. MAGA ACCOUNTS".

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

SEC. 110116. MAGA ACCOUNTS CONTRIBUTION PILOT PROGRAM.

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

"SEC. 6434. MAGA ACCOUNTS CONTRIBUTION PILOT PROGRAM.

"(a) IN GENERAL.—In the case of any taxpayer with respect to whom an eligible individual is a qualifying child, there shall be allowed a one-time credit of $1,000 with respect to each such eligible individual who is a qualifying child of such taxpayer which shall be payable by the Secretary only to the MAGA account with respect to which such eligible individual is the account beneficiary.

"(b) ACCOUNT ESTABLISHED BY SECRETARY.—

"(1) IN GENERAL.—In the case of any eligible individual that the Secretary determines is not the account beneficiary of any MAGA account as of the qualifying date of such eligible individual, the Secretary shall establish an account for the benefit of such eligible individual.

"(2) QUALIFYING DATE.—For purposes of paragraph (1), the term 'qualifying date' means, with respect to an eligible individual, the first date on which a return of tax is filed by an individual with respect to whom such eligible individual is a qualifying child with respect to the taxable year to which such return relates.

"(3) NOTIFICATION.—In the case of any eligible individual for the benefit of whom the Secretary establishes an account under paragraph (1), the Secretary shall—

"(A) notify any individual with respect to whom such eligible individual is a qualifying child for the taxable year described in paragraph (2) of the establishment of such account, and

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

"(4) DETERMINATION OF DEFAULT TRUSTEE.—For purposes of selecting a trustee for an account established under paragraph (1), the Secretary shall take into account—

"(A) the history of reliability and regulatory compliance of such trustee,

"(B) the customer service experience of such trustee,

"(C) the costs imposed by such trustee on the account or account beneficiary, and

"(D) to the extent practicable, the preferences of any individual described in paragraph (3)(A) with respect to such eligible individual.

"(c) ELIGIBLE INDIVIDUAL.—For purposes of subsection (a), the term eligible individual means an individual—

"(1) who is born after December 31, 2024, and before January 1, 2029, and

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

"(d) SOCIAL SECURITY NUMBER REQUIRED.—

"(1) IN GENERAL.—No credit shall be allowed under subsection (a) to a taxpayer unless such taxpayer includes on the return of tax for the taxable year—

"(A) such individual's social security number,

"(B) if such individual is married, the social security number of such individual's spouse, and

"(C) the social security number of the eligible individual with respect to whom such credit is allowed.

"(2) SOCIAL SECURITY NUMBER DEFINED.—For purposes of paragraph (1), the term 'social security number' shall have the meaning given such term in section 24(h)(7).

"(e) DEFINITIONS.—For purposes of this section—

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

"(2) MAGA ACCOUNT; ACCOUNT BENEFICIARY.—The terms 'MAGA account' and 'account beneficiary' have the meaning given such terms in section 530A(b).".

(b) PENALTY FOR NEGLIGENT CLAIM OR FRAUDULENT CLAIM.—Part I of subchapter A of chapter 68 of subtitle F is amended by adding at the end the following new section:

"SEC. 6659. IMPROPER CLAIM FOR MAGA ACCOUNT CONTRIBUTION PILOT PROGRAM CREDIT.

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

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

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

"(b) DEFINITIONS.—The terms 'negligence' and 'disregard' have the same meaning as when such terms are used in section 6662.".

(c) OMISSION OF CORRECT SOCIAL SECURITY NUMBER TREATED MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (Y), by striking the period at the end of subparagraph (Z) and inserting ", and", and by inserting after subparagraph (Z) the following new subparagraph:

"(AA) an omission of a correct social security number required under section 6434(d)(1) (relating to the MAGA accounts contribution pilot program).".

(d) CLERICAL AMENDMENTS.—

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

"Sec. 6434. MAGA accounts contribution pilot program.".

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

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

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

PART 3—INVESTING IN HEALTH OF AMERICAN FAMILIES AND WORKERS

SEC. 110201. TREATMENT OF HEALTH REIMBURSEMENT ARRANGEMENTS INTEGRATED WITH INDIVIDUAL MARKET COVERAGE.

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

(1) by striking "EXCEPTION.—Notwithstanding subsection (a)" and inserting the following: "EXCEPTIONS.—

"(1) SELF-INSURED GROUP HEALTH PLANS.—Notwithstanding subsection (a)", and

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

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

"(A) IN GENERAL.—For purposes of this subchapter, a custom health option and individual care expense arrangement shall be treated as meeting the requirements of section 9802 and sections 2705, 2711, 2713, and 2715 of title XXVII of the Public Health Service Act.

"(B) CUSTOM HEALTH OPTION AND INDIVIDUAL CARE EXPENSE ARRANGEMENTS DEFINED.—For purposes of this section, the term 'custom health option and individual care expense arrangement' means a health reimbursement arrangement—

"(i) which is an employer-provided group health plan funded solely by employer contributions to provide payments or reimbursements for medical care subject to a maximum fixed dollar amount for a period,

"(ii) under which such payments or reimbursements may only be made for medical care provided during periods during which the individual is covered—

"(I) under individual health insurance coverage (other than coverage that consists solely of excepted benefits), or

"(II) under part A and B of title XVIII of the Social Security Act or part C of such title,

"(iii) which meets the nondiscrimination requirements of subparagraph (C),

"(iv) which meets the substantiation requirements of subparagraph (D), and

"(v) which meets the notice requirements of subparagraph (E).

"(C) NONDISCRIMINATION.—

"(i) IN GENERAL.—An arrangement meets the requirements of this subparagraph if an employer offering such arrangement to an employee within a specified class of employee—

"(I) offers such arrangement to all employees within such specified class on the same terms, and

"(II) does not offer any other group health plan (other than an account-based group health plan or a group health plan that consists solely of excepted benefits) to any employees within such specified class.

In the case of an employer who offers a group health plan provided through health insurance coverage in the small group market (that is subject to section 2701 of the Public Health Service Act) to all employees within such specified class, subclause (II) shall not apply to such group health plan.

"(ii) SPECIFIED CLASS OF EMPLOYEE.—For purposes of this subparagraph, any of the following may be designated as a specified class of employee:

"(I) Full-time employees.

"(II) Part-time employees.

"(III) Salaried employees.

"(IV) Non-salaried employees.

"(V) Employees whose primary site of employment is in the same rating area.

"(VI) Employees who are included in a unit of employees covered under a collective bargaining agreement to which the employer is subject (determined under rules similar to the rules of section 105(h)).

"(VII) Employees who have not met a group health plan, or health insurance issuer offering group health insurance coverage, waiting period requirement that satisfies section 2708 of the Public Health Service Act.

"(VIII) Seasonal employees.

"(IX) Employees who are nonresident aliens and who receive no earned income (within the meaning of section 911(d)(2)) from the employer which constitutes income from sources within the United States (within the meaning of section 861(a)(3)).

"(X) Such other classes of employees as the Secretary may designate.

An employer may designate (in such manner as is prescribed by the Secretary) two or more of the classes described in the preceding subclauses as the specified class of employees to which the arrangement is offered for purposes of applying this subparagraph.

"(iii) SPECIAL RULE FOR NEW HIRES.—An employer may designate prospectively so much of a specified

class of employees as are hired after a date set by the employer. Such subclass of employees shall be treated as the specified class for purposes of applying clause (i).

"(iv) RULES FOR DETERMINING TYPE OF EMPLOYEE.—For purposes for clause (ii), any determination of full-time, part-time, or seasonal employment status shall be made under rules similar to the rules of section 105(h) or 4980H, whichever the employer elects for the plan year. Such election shall apply with respect to all employees of the employer for the plan year.

"(v) PERMITTED VARIATION.—For purposes of clause (i)(I), an arrangement shall not fail to be treated as provided on the same terms within a specified class merely because the maximum dollar amount of payments and reimbursements which may be made under the terms of the arrangement for the year with respect to each employee within such class—

"(I) increases as additional dependents of the employee are covered under the arrangement, and

"(II) increases with respect to a participant as the age of the participant increases, but not in excess of an amount equal to 300 percent of the lowest maximum dollar amount with respect to such a participant determined without regard to age.

"(D) SUBSTANTIATION REQUIREMENTS.—An arrangement meets the requirements of this subparagraph if the arrangement has reasonable procedures to substantiate—

"(i) that the participant and any dependents are, or will be, enrolled in coverage described in subparagraph (B)(ii) as of the beginning of the plan year of the arrangement (or as of the beginning of coverage under the arrangement in the case of an employee who first becomes eligible to participate in the arrangement after the date notice is given with respect to the plan under subparagraph (E) (determined without regard to clause (iii) thereof), and

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

"(E) NOTICE.—

"(i) IN GENERAL.—Except as provided in clause (iii), an arrangement meets the requirements of this subparagraph if, under the arrangement, each employee eligible to participate is, not later than 60 days before the beginning of the plan year, given written notice of the employee's rights and obligations under the arrangement which—

"(I) is sufficiently accurate and comprehensive to apprise the employee of such rights and obligations, and

"(II) is written in a manner calculated to be understood by the average employee eligible to participate.

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

"(iii) NOTICE DEADLINE FOR CERTAIN EMPLOYEES.—In the case of an employee—

"(I) who first becomes eligible to participate in the arrangement after the date notice is given with respect to the plan under clause (i) (determined without regard to this clause), or

"(II) whose employer is first established fewer than 120 days before the beginning of the first plan year of the arrangement,

the requirements of this subparagraph shall be treated as met if the notice required under clause (i) is provided not later than the date the arrangement may take effect with respect to such employee.".

(b) INCLUSION OF CHOICE ARRANGMENT PERMITTED BENEFITS ON W–2.—

(1) IN GENERAL.—Section 6051(a), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of paragraph (17), by striking the period at the end of paragraph (18) and inserting ", and", and by inserting after paragraph (18) the following new paragraph:

"(19) the total amount of permitted benefits for enrolled individuals under a custom health option and individual care expense arrangement (as defined in section 9815(b)(2)) with respect to such employee.".

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

(1) NO INFERENCE.—To the extent not inconsistent with the amendments made by this section—

(A) no inference shall be made from such amendments with respect to the rules prescribed in the Federal Register on June 20, 2019, (84 Fed. Reg. 28888) relating to health reimbursement arrangements and other account-based group health plans, and

(B) any reference to custom health option and individual care expense arrangements shall for purposes of such rules be treated as including a reference to individual coverage health reimbursement arrangements.

(2) OTHER CONFORMING OF RULES.—The Secretary of the Treasury, the Secretary of Health and Human Services, and the Secretary of Labor shall modify such rules as may be necessary to conform to the amendments made by this section.

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

SEC. 110202. PARTICIPANTS IN CHOICE ARRANGEMENT ELIGIBLE FOR PURCHASE OF EXCHANGE INSURANCE UNDER CAFETERIA PLAN.

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

"(C) EXCEPTION FOR PARTICIPANTS IN CHOICE ARRANGEMENT.—Subparagraph (A) shall not apply in the case of an employee participating in a custom health option and individual care expense arrangement (within the meaning of section 9815(b)(2)) offered by the employee's employer.".

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

SEC. 110203. EMPLOYER CREDIT FOR CHOICE ARRANGEMENT.

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

"SEC. 45BB. EMPLOYER CREDIT FOR CHOICE ARRANGEMENT.

"(a) IN GENERAL.—For purposes of section 38, in the case of an eligible employer, the CHOICE arrangement credit determined under this section for any taxable year is an amount, with respect to each employee enrolled during the credit period in a CHOICE arrangement maintained by the employer, equal to—

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

"(2) one-half of the dollar amount in effect under paragraph (1) for the taxable year, multiplied by the number of months for which the employee is so enrolled during the second year of the credit period.

"(b) ARRANGEMENT MUST CONSTITUTE MINIMUM ESSENTIAL COVERAGE.—An employee shall not be taken into account under subsection (a) unless such employee's eligibility for the CHOICE arrangement (determined without regard to the employee being enrolled) would cause the employee to be treated under section 36B(c)(2) as being eligible for minimum essential coverage consisting of an eligible employer-sponsored plan (as defined in section 5000A(f)(2)).

"(c) DEFINITIONS.—For purposes of this section—

"(1) CHOICE ARRANGEMENT.—The term 'CHOICE arrangement' means a custom health option and individual care expense arrangement (as defined in section 9815(b)(2)(B)).

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

"(3) ELIGIBLE EMPLOYER.—The term 'eligible employer' means, with respect to any taxable year beginning in a calendar year, an employer who is not an applicable large employer for the calendar year under section 4980H.

"(d) INFLATION ADJUSTMENT.—

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

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) ROUNDING.—If any amount after adjustment under paragraph (1) is not a multiple of $10, such amount shall be rounded to the next lower multiple of $10.".

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) is amended by striking "plus" at the end of paragraph (40), by striking the period at the end of paragraph (41) and inserting ", plus", and by adding at the end the following new paragraph:

"(42) the CHOICE arrangement credit determined under section 45BB(a).".

(c) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.—Section 38(c)(4)(B) is amended—

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

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

"(x) the credit determined under section 45BB,".

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

"Sec. 45BB. Employer credit for CHOICE arrangement.".

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

SEC. 110204. INDIVIDUALS ENTITLED TO PART A OF MEDICARE BY REASON OF AGE ALLOWED TO CONTRIBUTE TO HEALTH SAVINGS ACCOUNTS.

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

"(iv) entitlement to hospital insurance benefits under part A of title XVIII of the Social Security Act by reason of section 226(a) of such Act.".

(b) TREATMENT OF HEALTH INSURANCE PURCHASED FROM ACCOUNT.—Section 223(d)(2)(C)(iv) is amended by inserting "and who is not an eligible individual" after "who has attained the age specified in section 1811 of the Social Security Act".

(c) COORDINATION WITH PENALTY ON DISTRIBUTIONS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—Section 223(f)(4)(C) is amended by striking "Subparagraph (A)" and inserting "Except in the case of an eligible individual, subparagraph (A)"

(d) CONFORMING AMENDMENT.—Section 223(b)(7) is amended by inserting "(other than an entitlement to benefits described in subsection (c)(1)(B)(iv))" after "Social Security Act".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2025.

SEC. 110205. TREATMENT OF DIRECT PRIMARY CARE SERVICE ARRANGEMENTS.

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

"(E) TREATMENT OF DIRECT PRIMARY CARE SERVICE ARRANGEMENTS.—

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

"(ii) DIRECT PRIMARY CARE SERVICE ARRANGEMENT.—For purposes of this subparagraph—

"(I) IN GENERAL.—The term 'direct primary care service arrangement' means, with respect to any individual, an arrangement under which such individual is provided medical care (as defined in section 213(d)) consisting solely of primary care services provided by primary care practitioners (as defined in section 1833(x)(2)(A) of the Social Security Act, determined without regard to clause (ii) thereof), if the sole compensation for such care is a fixed periodic fee.

"(II) LIMITATION.—With respect to any individual for any month, such term shall not include any arrangement if the aggregate fees for all direct primary care service arrangements (determined without regard to this subclause) with respect to such individual for such month exceed $150 (twice such dollar amount in the case of an individual with any direct primary care service arrangement (as so determined) that covers more than one individual).

"(iii) CERTAIN SERVICES SPECIFICALLY EXCLUDED FROM TREATMENT AS PRIMARY CARE SERVICES.—For purposes of this subparagraph, the term 'primary care services' shall not include—

"(I) procedures that require the use of general anesthesia,

"(II) prescription drugs (other than vaccines), and

"(III) laboratory services not typically administered in an ambulatory primary care setting.

The Secretary, after consultation with the Secretary of Health and Human Services, shall issue regulations or other guidance regarding the application of this clause.".

(b) DIRECT PRIMARY CARE SERVICE ARRANGEMENT FEES TREATED AS MEDICAL EXPENSES.—Section 223(d)(2)(C) is amended by striking "or" at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", or", and by adding at the end the following new clause:

"(v) any direct primary care service arrangement.".

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

(1) by inserting ", (c)(1)(E)(ii)(II)," after "(b)(2)" each place it appears, and

(2) in subparagraph (B), by striking "clause (ii)" in clause (i) and inserting "clauses (ii) and (iii)", by striking "and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", and", and by inserting after clause (ii) the following new clause:

"(iii) in the case of the dollar amount in subsection (c)(1)(E)(ii)(II) for taxable years beginning in calendar years after 2026, 'calendar year 2025'.".".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2025.

SEC. 110206. ALLOWANCE OF BRONZE AND CATASTROPHIC PLANS IN CONNECTION WITH HEALTH SAVINGS ACCOUNTS.

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

"(H) BRONZE AND CATASTROPHIC PLANS TREATED AS HIGH DEDUCTIBLE HEALTH PLANS.—The term 'high deductible health plan' shall include any plan—

"(i) available as individual coverage through an Exchange established under section 1311 or 1321 of the Patient Protection and Affordable Care Act, and

"(ii) described in subsection (d)(1)(A) or (e) of section 1302 of such Act.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to months beginning after December 31, 2025.

SEC. 110207. ON-SITE EMPLOYEE CLINICS.

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

"(F) SPECIAL RULE FOR QUALIFIED ITEMS AND SERVICES.—

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

"(I) at a healthcare facility located at a facility owned or leased by the employer of the individual (or of the individual's spouse), or

"(II) at a healthcare facility operated primarily for the benefit of employees of the employer of the individual (or of the individual's spouse).

"(ii) QUALIFIED ITEMS AND SERVICES DEFINED.—For purposes of this subparagraph, the term 'qualified items and services' means the following:

"(I) Physical examination.

"(II) Immunizations, including injections of antigens provided by employees.

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

"(IV) Treatment for injuries occurring in the course of employment.

"(V) Preventive care for chronic conditions (as defined in clause (iv)).

"(VI) Drug testing.

"(VII) Hearing or vision screenings and related services.

"(iii) AGGREGATION.—For purposes of clause (i), all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as a single employer.

"(iv) PREVENTIVE CARE FOR CHRONIC CONDITIONS.—For purposes of this subparagraph, the term 'preventive care for chronic conditions' means any item or service specified in the Appendix of Internal Revenue Service Notice 2019–45 which is prescribed to treat an individual diagnosed with the associated chronic condition specified in such Appendix for the purpose of preventing the exacerbation of such chronic condition or the development of a secondary condition, including any amendment, addition, removal, or other modification made by the Secretary (pursuant to the authority granted to the Secretary under paragraph (2)(C)) to the items or services specified in such Appendix subsequent to the date of publication of such Notice.".

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

SEC. 110208. CERTAIN AMOUNTS PAID FOR PHYSICAL ACTIVITY, FITNESS, AND EXERCISE TREATED AS AMOUNTS PAID FOR MEDICAL CARE.

(a) IN GENERAL.—Section 223(d)(2)(A) is amended by adding at the end the following: "For purposes of this subparagraph, amounts paid for qualified sports and fitness expenses shall be treated as paid for medical care.".

(b) QUALIFIED SPORTS AND FITNESS EXPENSES.—Section 223(d)(2) is amended by adding at the end the following new subparagraph:

"(E) QUALIFIED SPORTS AND FITNESS EXPENSES.—For purposes of this paragraph—

"(i) IN GENERAL.—The term 'qualified sports and fitness expenses' means amounts paid exclusively for the sole purpose of participating in a physical activity including—

"(I) for membership at a fitness facility, or

"(II) for participation or instruction in physical exercise or physical activity.

"(ii) OVERALL DOLLAR LIMITATION.—

"(I) IN GENERAL.—The aggregate amount treated as qualified sports and fitness expenses with respect to any taxpayer for any taxable year shall not exceed $500 ($1,000 in the case of a joint return or a head of household (as defined in section 2(b))).

"(II) MONTHLY LIMIT.—The amount taken into account under subparagraph (A) as paid for participating in a physical activity during a month beginning during the taxable year shall not exceed an amount equal to 1/12 of the amount in effect with respect to the taxpayer for the taxable year under subclause (I).

"(iii) FITNESS FACILITY.—For purposes of clause (i)(I), the term 'fitness facility' means a facility—

"(I) which provides instruction in a program of physical exercise, offers facilities for the preservation, maintenance, encouragement, or develop-

ment of physical fitness, or serves as the site of such a program of a State or local government,

"(II) which is not a private club owned and operated by its members,

"(III) which does not offer golf, hunting, sailing, or riding facilities,

"(IV) the health or fitness component of which is not incidental to its overall function and purpose, and

"(V) which is fully compliant with the State of jurisdiction and Federal anti-discrimination laws.

"(iv) TREATMENT OF PERSONAL TRAINERS, EXERCISE VIDEOS, ETC.—The term 'qualified sports and fitness expenses' shall not include any amount paid for—

"(I) videos, books, or similar materials,

"(II) remote or virtual instruction in a physical exercise or physical activity, unless such instruction is live, or

"(III) one-on-one personal training.

"(v) PROGRAMS WHICH INCLUDE COMPONENTS OTHER THAN PHYSICAL EXERCISE AND PHYSICAL ACTIVITY.—Rules similar to the rules of section 213(d)(6) shall apply in the case of any program that includes physical exercise or physical activity and also other components. For purposes of the preceding sentence, travel and accommodations shall be treated as a separate component.

"(vi) MEMBERSHIP, PARTICIPATION, AND INSTRUCTION MUST BE CONTINUING.—An amount shall not be treated as paid for the purpose of participating in a physical activity unless—

"(I) in the case of a membership at a fitness facility, such membership is for more than 1 day, and

"(II) in the case of participation or instruction in physical exercise or physical activity, the amount paid constitutes payment for more than 1 occasion of such participation or instruction.

"(vii) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2026, each dollar amount in clause (ii)(I) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If any increase under the preceding sentence is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.".

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

SEC. 110209. ALLOW BOTH SPOUSES TO MAKE CATCH-UP CONTRIBUTIONS TO THE SAME HEALTH SAVINGS ACCOUNT.

(a) IN GENERAL.—Section 223(b)(5) is amended to read as follows:

"(5) SPECIAL RULE FOR MARRIED INDIVIDUALS WITH FAMILY COVERAGE.—

"(A) IN GENERAL.—In the case of individuals who are married to each other, if both spouses are eligible individuals and either spouse has family coverage under a high deductible health plan as of the first day of any month—

"(i) the limitation under paragraph (1) shall be applied by not taking into account any other high deductible health plan coverage of either spouse (and if such spouses both have family coverage under separate high deductible health plans, only one such coverage shall be taken into account),

"(ii) such limitation (after application of clause (i)) shall be reduced by the aggregate amount paid to Archer MSAs of such spouses for the taxable year, and

"(iii) such limitation (after application of clauses (i) and (ii)) shall be divided equally between such spouses unless they agree on a different division.

"(B) TREATMENT OF ADDITIONAL CONTRIBUTION AMOUNTS.—If both spouses referred to in subparagraph (A) have attained age 55 before the close of the taxable year, the limitation referred to in subparagraph (A)(iii) which is subject to division between the spouses shall include the additional contribution amounts determined under paragraph (3) for both spouses. In any other case, any additional contribution amount determined under paragraph (3) shall not be taken into account under subparagraph (A)(iii) and shall not be subject to division between the spouses.".

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

SEC. 110210. FSA AND HRA TERMINATIONS OR CONVERSIONS TO FUND HSAs.

(a) IN GENERAL.—Section 106(e)(2) is amended to read as follows:

"(2) QUALIFIED HSA DISTRIBUTION.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified HSA distribution' means, with respect to any employee, a distribution from a health flexible spending arrangement or health reimbursement arrangement of such employee contributed directly to a health savings account of such employee if—

"(i) such distribution is made in connection with such employee establishing coverage under a high deductible health plan (as defined in section 223(c)(2)) if during the 4-year period preceding the date the employee so establishes coverage the employee was not covered under such a high deductible health plan, and

"(ii) such arrangement is described in section 223(c)(1)(B)(v) with respect to any portion of the plan year remaining after such distribution is made, if such employee remains enrolled in such arrangement.

"(B) DOLLAR LIMITATION.—The aggregate amount of distributions from health flexible spending arrangements and health reimbursement arrangements of any employee which may be treated as qualified HSA distributions in connection with an establishment of coverage described in subparagraph (A)(i) shall not exceed the dollar amount in effect under section 125(i)(1) (twice such amount in the case of coverage which is described in section 223(b)(2)(B)).".

(b) PARTIAL REDUCTION OF LIMITATION ON DEDUCTIBLE HSA CONTRIBUTIONS.—Section 223(b)(4) is amended by striking "and" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", and", and by inserting after subparagraph (C) the following new subparagraph:

"(D) so much of any qualified HSA distribution (as defined in section 106(e)(2)) made to a health savings account of such individual during the taxable year as does not exceed the aggregate increases in the balance of the arrangement from which such distribution is made which occur during the portion of the plan year which precedes such distribution (other than any balance carried over to such plan year and determined without regard to any decrease in such balance during such portion of the plan year).".

(c) CONVERSION TO HSA-COMPATIBLE ARRANGEMENT FOR REMAINDER OF PLAN YEAR.—Section 223(c)(1)(B), as amended by this preceding provisions of this Act, is amended by striking "and" at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", and", and by adding at the end the following new clause:

"(v) coverage under a health flexible spending arrangement or health reimbursement arrangement for the portion of the plan year after a qualified HSA distribution (as defined in section 106(e)(2) determined without regard to subparagraph (A)(ii) thereof) is made, if the terms of such arrangement which apply for such portion of the plan year are such that, if such terms applied for the entire plan year, then such arrangement would not be taken into account under subparagraph (A)(ii) of this paragraph for such plan year.".

(d) INCLUSION OF QUALIFIED HSA DISTRIBUTIONS ON W–2.—

(1) IN GENERAL.—Section 6051(a), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of paragraph (18), by striking the period at the end of paragraph (19) and inserting ", and", and by inserting after paragraph (19) the following new paragraph:

"(20) the amount of any qualified HSA distribution (as defined in section 106(e)(2)) with respect to such employee.".

(2) CONFORMING AMENDMENT.—Section 6051(a)(12) is amended by inserting "(other than any qualified HSA distribution, as defined in section 106(e)(2))" before the comma at the end.

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

SEC. 110211. SPECIAL RULE FOR CERTAIN MEDICAL EXPENSES INCURRED BEFORE ESTABLISHMENT OF HEALTH SAVINGS ACCOUNT.

(a) IN GENERAL.—Section 223(d)(2), as amended by the preceding provisions of this Act, is amended by adding at the end the following new subparagraph:

"(F) TREATMENT OF CERTAIN MEDICAL EXPENSES INCURRED BEFORE ESTABLISHMENT OF ACCOUNT.—If a health savings account is established during the 60-day period beginning on the date that coverage of the account beneficiary under a high deductible health plan begins, then, solely for purposes of determining whether an amount paid is used for a qualified medical expense, such account shall be treated as having been established on the date that such coverage begins.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to coverage beginning after December 31, 2025.

SEC. 110212. CONTRIBUTIONS PERMITTED IF SPOUSE HAS HEALTH FLEXIBLE SPENDING ARRANGEMENT.

(a) CONTRIBUTIONS PERMITTED IF SPOUSE HAS A HEALTH FLEXIBLE SPENDING ARRANGEMENT.—Section 223(c)(1)(B), as amended by this preceding provisions of this Act, is amended by striking "and" at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and", and by adding at the end the following new clause:

"(vi) coverage under a health flexible spending arrangement of the spouse of the individual for any plan year of such arrangement if the aggregate reimbursements under such arrangement for such year do not exceed the aggregate expenses which would be eligible for reimbursement under such arrangement if such expenses were determined without regard to any expenses paid or incurred with respect to such individual.".

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

SEC. 110213. INCREASE IN HEALTH SAVINGS ACCOUNT CONTRIBUTION LIMITATION FOR CERTAIN INDIVIDUALS.

(a) INCREASE.—

(1) IN GENERAL.—Section 223(b) is amended by adding at the end the following new paragraph:

"(9) INCREASE IN LIMITATION FOR CERTAIN TAXPAYERS.—

"(A) IN GENERAL.—The applicable limitation under subparagraphs (A) and (B) of paragraph (2) shall be increased by $4,300 and $8,550, respectively.

"(B) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—The amount of the increase under subparagraph (A) (determined without regard to this subparagraph) shall be reduced (but not below zero) by the amount which bears the same ratio to the amount of such increase (as so determined) as—

"(i) the excess (if any) of—

"(I) the taxpayer's adjusted gross income for such taxable year, over

"(II) $75,000 ($150,000 in the case of a joint return, if the eligible individual has family coverage), bears to

"(ii) $25,000 ($50,000 in the case of a joint return, if the eligible individual has family coverage).

For purposes of the preceding sentence, adjusted gross income shall be determined in the same manner as under section 219(g)(3)(A), except determined without regard to any deduction allowed under this section.".

(2) ONLY TO APPLY TO EMPLOYEE CONTRIBUTIONS.—Section 106(d)(1) is amended by inserting "and section 223(b)(9)" after "determined without regard to this subsection".

(b) INFLATION ADJUSTMENT.—Section 223(g), as amended by the preceding provisions of this Act, is amended—

(1) by inserting ", (b)(9)(A), (b)(9)(B)(i)(II)," before "and (c)(2)(A)" each place it appears,

(2) by striking "clauses (ii) and (ii)" in paragraph (1)(B)(i) and inserting "clauses (ii), (iii), and (iv)",

(3) by striking "and" at the end of paragraph (1)(B)(ii),

(4) by striking the period at the end of paragraph (1)(B)(iii) and inserting ", and", and

(5) by inserting after paragraph (1)(B)(iii) the following new clause:

"(iv) in the case of the dollar amounts in subsections (b)(9)(A) and (b)(9)(B)(i)(II), 'calendar year 2025'.".

(c) EFFECTIVE DATE.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2025.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2026.

SEC. 110214. REGULATIONS.

The Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this part.

Subtitle B—Make Rural America and Main Street Grow Again

PART 1—EXTENSION OF TAX CUTS AND JOBS ACT REFORMS FOR RURAL AMERICA AND MAIN STREET

SEC. 111001. EXTENSION OF SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN PROPERTY.

(a) IN GENERAL.—Section 168(k) is amended—

(1) in paragraph (2)—

(A) by striking "January 1, 2027" each place it appears and inserting "January 1, 2030", and

(B) in subparagraph (B)—

(i) in clause (i)(II), by striking "January 1, 2028" and inserting "January 1, 2031", and

(ii) in the heading of clause (ii), by striking "PRE-JANUARY 1, 2027 BASIS" and inserting "PRE-JANUARY 1, 2030 BASIS",

(2) in paragraph (5)(A), by striking "January 1, 2027" and inserting "January 1, 2030", and

(3) in paragraph (6)—

(A) in subparagraph (A)—

(i) by inserting "in the case of property acquired by the taxpayer before January 20, 2025," after "Except as otherwise provided in this paragraph", and

(ii) by striking "and" at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and", and by adding at the end the following new clause:

"(vi) in the case of property placed in service after December 31, 2026, 0 percent.",

(B) in subparagraph (B)—

(i) by striking "In the case of property described" and inserting "In the case of property acquired by the taxpayer before January 20, 2025 and described", and

(ii) by striking "and" at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and", and by adding at the end the following new clause:

"(vi) in the case of property placed in service after December 31, 2027, 0 percent.",

(C) in subparagraph (C), by inserting "and" at the end of clause (iii), by striking clauses (iv) and (v), and by adding at the end the following new clause:

"(iv) in the case of a plant which is planted or grafted after January 19, 2025, and before January 1, 2030, 100 percent.", and

(D) by adding at the end the following new subparagraph:

"(D) RULE FOR PROPERTY ACQUIRED AFTER JANUARY 19, 2025.—

"(i) IN GENERAL.—In the case of property acquired by the taxpayer after January 19, 2025 and placed in service after such date and before January 1, 2030 (January 1, 2031, in the case of property described in subparagraph (B) or (C) of paragraph (2)), the term 'applicable percentage' means 100 percent.

"(ii) ACQUISITION DATE DETERMINATION.—For purposes of clause (i), property shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition.".

(b) CONFORMING AMENDMENT.—Section 460(c)(6)(B) is amended by striking "which" and all that follows through the period and inserting "which has a recovery period of 7 years or less.".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided by paragraph (2), the amendments made by this section shall apply to property ac-

quired after January 19, 2025 and placed in service after such date.

(2) SPECIFIED PLANTS.—The amendments made by this section shall apply to specified plants planted or grafted after January 19, 2025.

SEC. 111002. DEDUCTION OF DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) SUSPENSION OF AMORTIZATION FOR DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.—Section 174 is amended by adding at the end the following new subsection:

"(e) SUSPENSION OF APPLICATION TO DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.—In the case of any domestic research or experimental expenditures (as defined in section 174A(b)), this section shall not apply to such expenditures paid or incurred in taxable years beginning after December 31, 2024, and before January 1, 2030.".

(b) REINSTATEMENT OF EXPENSING FOR DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.—Part VI of subchapter B of chapter 1 is amended by inserting after section 174 the following new section:

"SEC. 174A. TEMPORARY RULES FOR DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.

"(a) TREATMENT AS EXPENSES.—Notwithstanding section 263, there shall be allowed as a deduction any domestic research or experimental expenditures which are paid or incurred by the taxpayer during the taxable year.

"(b) DOMESTIC RESEARCH OR EXPERIMENTAL EXPENDITURES.—For purposes of this section, the term 'domestic research or experimental expenditures' means research or experimental expenditures paid or incurred by the taxpayer in connection with the taxpayer's trade or business other than such expenditures which are attributable to foreign research (within the meaning of section 41(d)(4)(F)).

"(c) AMORTIZATION OF CERTAIN DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.—

"(1) IN GENERAL.—At the election of the taxpayer, made in accordance with regulations or other guidance provided by the Secretary, in the case of domestic research or experimental expenditures which would (but for subsection (a)) be chargeable to capital account but not chargeable to property of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611 (relating to allowance for depletion), subsection (a) shall not apply and the taxpayer shall—

"(A) charge such expenditures to capital account, and

"(B) be allowed an amortization deduction of such expenditures ratably over such period of not less than 60 months as may be selected by the taxpayer (beginning with the midpoint of the taxable year in which such expenditures are paid or incurred).

"(2) TIME FOR AND SCOPE OF ELECTION.—The election provided by paragraph (1) may be made for any taxable year, but only if made not later than the time prescribed by law for filing the return for such taxable year (including extensions

thereof). The method so elected, and the period selected by the taxpayer, shall be adhered to in computing taxable income for the taxable year for which the election is made and for all subsequent taxable years unless, with the approval of the Secretary, a change to a different method (or to a different period) is authorized with respect to part or all of such expenditures. The election shall not apply to any expenditure paid or incurred during any taxable year before the taxable year for which the taxpayer makes the election.

"(d) SPECIAL RULES.—

"(1) LAND AND OTHER PROPERTY.—This section shall not apply to any expenditure for the acquisition or improvement of land, or for the acquisition or improvement of property to be used in connection with the research or experimentation and of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611 (relating to allowance for depletion); but for purposes of this section allowances under section 167, and allowances under section 611, shall be considered as expenditures.

"(2) EXPLORATION EXPENDITURES.—This section shall not apply to any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas).

"(3) SOFTWARE DEVELOPMENT.—For purposes of this section, any amount paid or incurred in connection with the development of any software shall be treated as a research or experimental expenditure.

"(e) TERMINATION.—

"(1) IN GENERAL.—This section shall not apply to amounts paid or incurred in taxable years beginning after December 31, 2029.

"(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of a taxpayer's first taxable year beginning after December 31, 2029, paragraph (1) (and the corresponding application of section 174) shall be treated as a change in method of accounting for purposes of section 481 and—

"(A) such change shall be treated as initiated by the taxpayer,

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

"(C) such change shall be applied only on a cut-off basis for any domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2029, and no adjustment under section 481(a) shall be made.".

(c) TREATMENT OF FOREIGN RESEARCH OR EXPERIMENTAL EXPENDITURES UPON DISPOSITION.—Section 174(d) is amended by inserting "or reduction to amount realized" after "no deduction".

(d) COORDINATION WITH CERTAIN OTHER PROVISIONS.—

(1) RESEARCH CREDIT.—

(A) Section 41(d)(1)(A) is amended by inserting "or domestic research or experimental expenditures under section 174A" after "section 174".

(B) Section 280C(c) is amended by adding at the end the following new paragraph:

"(4) DOMESTIC RESEARCH OR EXPERIMENTAL EXPENDITURES.—The domestic research or experimental expenditures otherwise taken into account under section 174A shall be reduced by the amount of the credit allowed under section 41(a).".

(C) Section 280C(c) is amended—

(i) in paragraph (1)(B)—

(I) by striking "a deduction" and inserting "an amortization deduction", and

(II) by inserting "under section 174" after "basic research expenses", and

(ii) in paragraph (2)(A)(i), by striking "paragraph (1)" and inserting "paragraphs (1) and (4)".

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

(A) by striking "174(a)" each place it appears and inserting "174A(a)", and

(B) by adding at the end of subparagraph (A) the following new flush sentence:

"In the case of research and experimental expenditures charged to capital account and amortized under section 174 or 174A, such amounts shall be amortized for purposes of this subsection as provided in clause (ii).".

(3) OPTIONAL 10-YEAR WRITEOFF.—Section 59(e)(2)(B) is amended by striking "section 174(a) (relating to research and experimental expenditures)" and inserting "section 174A(a) (relating to temporary rules for domestic research and experimental expenditures)".

(4) QUALIFIED SMALL ISSUE BONDS.—Section 144(a)(4)(C)(iv) is amended by inserting "or 174A(a)" after "174(a)".

(5) START-UP EXPENDITURES.—Section 195(c)(1) is amended by striking "or 174" in the last sentence and inserting "174, or 174A".

(6) CAPITAL EXPENDITURES.—

(A) Section 263(a)(1)(B) is amended by inserting " or 174A" after "174".

(B) Section 263A(c)(2) is amended by inserting "or 174A" after "174".

(7) ACTIVE BUSINESS COMPUTER SOFTWARE ROYALTIES.—Section 543(d)(4)(A)(i) is amended by inserting "174A," after "174,".

(8) SOURCE RULES.—Section 864(g)(2) is amended in the last sentence—

(A) by striking "treated as deferred expenses under subsection (b) of section 174" and inserting "allowed as an amortization deduction under section 174(a) or section 174A(c),", and

(B) by striking "such subsection" and inserting "such section (as the case may be)".

(9) BASIS ADJUSTMENT.—Section 1016(a)(14) is amended by striking "deductions as deferred expenses under section 174(b)(1) (relating to research and experimental expenditures)" and inserting "deductions under section 174 or 174A(c)".

(10) SMALL BUSINESS STOCK.—Section 1202(e)(2)(B) is amended by striking "research and experimental expenditures under section 174" and inserting "specified research or experimental expenditures under section 174 or domestic research or experimental expenditures under section 174A".

(e) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by inserting after the item relating to section 174 the following new item:

"Sec. 174A. Temporary rules for domestic research and experimental expenditures.".

(f) EFFECTIVE DATE AND SPECIAL RULE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2024.

(2) TREATMENT OF FOREIGN RESEARCH OR EXPERIMENTAL EXPENDITURES UPON DISPOSITION.—The amendment made by subsection (c) shall apply to property disposed, retired, or abandoned after May 12, 2025.

(3) COORDINATION WITH RESEARCH CREDIT.—The amendments made by subparagraphs (B) and (C) of subsection (d)(1) shall apply to taxable years beginning after December 31, 2024.

(4) SPECIAL RULE FOR SHORT TAXABLE YEARS.—The Secretary of the Treasury may prescribe such rules as are necessary or appropriate to provide for the application of the amendments made by this section in the case of any taxable year of less than 12 months that begins after December 31, 2024, and ends before the date of the enactment of this Act.

(5) CHANGE IN METHOD OF ACCOUNTING.—The amendments made by this section shall be treated as a change in method of accounting for purposes of section 481 of the Internal Revenue Code of 1986 and—

(A) such change shall be treated as initiated by the taxpayer,

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

(C) such change shall be applied only on a cut-off basis for any research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024, and no adjustments under section 481(a) shall be made.

(6) NO INFERENCE.—The amendments made by subparagraphs (B) and (C) of subsection (d)(1) shall not be construed to create any inference with respect to the proper application of section 280C(c) of the Internal Revenue Code of 1986 with respect to taxable years beginning before January 1, 2025.

SEC. 111003. MODIFIED CALCULATION OF ADJUSTED TAXABLE INCOME FOR PURPOSES OF BUSINESS INTEREST DEDUCTION.

(a) IN GENERAL.—Section 163(j)(8)(A)(v) is amended by striking "beginning before January 1, 2022" and inserting "beginning after December 31, 2024 and before January 1, 2030".

(b) FLOOR PLAN FINANCING APPLICABLE TO CERTAIN TRAILERS AND CAMPERS.—Section 163(j)(9)(C) is amended by adding at the end the following new flush sentence:

"Such term shall also include any trailer or camper which is designed to provide temporary living quarters for recreational, camping, or seasonal use and is designed to be towed by, or affixed to, a motor vehicle.".

(c) EFFECTIVE DATE AND SPECIAL RULE.—

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

(2) SPECIAL RULE FOR SHORT TAXABLE YEARS.—The Secretary of the Treasury may prescribe such rules as are necessary or appropriate to provide for the application of the amendments made by this section in the case of any taxable year of less than 12 months that begins after December 31, 2024, and ends before the date of the enactment of this Act.

SEC. 111004. EXTENSION OF DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME.

(a) IN GENERAL.—Section 250(a) is amended by striking paragraph (3).

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

SEC. 111005. EXTENSION OF BASE EROSION MINIMUM TAX AMOUNT.

(a) IN GENERAL.—Section 59A(b) is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(b) CONFORMING AMENDMENTS.—

(1) Section 59A(b)(1) is amended by striking "Except as provided in paragraphs (2) and (3)" and inserting "Except as provided in paragraph (2)".

(2) Section 59A(b)(2), as redesignated by subsection (a)(2), is amended by striking "the percentage otherwise in effect under paragraphs (1)(A) and (2)(A) shall each be increased" and inserting "the percentages otherwise in effect under paragraph (1)(A) shall be increased".

(3) Section 59A(e)(1)(C) is amended by striking "in the case of a taxpayer described in subsection (b)(3)(B)" and inserting "in the case of a taxpayer described in subsection (b)(2)(B)".

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

PART 2—ADDITIONAL TAX RELIEF FOR RURAL AMERICA AND MAIN STREET

SEC. 111101. SPECIAL DEPRECIATION ALLOWANCE FOR QUALIFIED PRODUCTION PROPERTY.

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

"(n) SPECIAL ALLOWANCE FOR QUALIFIED PRODUCTION PROPERTY.—

"(1) IN GENERAL.—In the case of any qualified production property—

"(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 100 percent of the adjusted basis of the qualified production property, and

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

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

"(A) IN GENERAL.—The term 'qualified production property' means that portion of any nonresidential real property—

"(i) to which this section applies,

"(ii) which is used by the taxpayer as an integral part of a qualified production activity,

"(iii) which is placed in service in the United States or any possession of the United States,

"(iv) the original use of which commences with the taxpayer,

"(v) the construction of which begins after January 19, 2025, and before January 1, 2029,

"(vi) with respect to which the taxpayer has elected the application of this subsection, and

"(vii) which is placed in service before January 1, 2033.

"(B) SPECIAL RULE FOR CERTAIN PROPERTY NOT PREVIOUSLY USED IN QUALIFIED PRODUCTION ACTIVITIES.—

"(i) IN GENERAL.—In the case of property acquired by the taxpayer during the period described in subparagraph (A)(v), the requirements of clauses (iv) and (v) of subparagraph (A) shall be treated as satisfied if such property was not used in a qualified production activity (determined without regard to the second sentence of subparagraph (D)) by any person at any time during the period beginning on January 1, 2021, and ending on May 12, 2025.

"(ii) WRITTEN BINDING CONTRACTS.—For purposes of determining under clause (i)—

"(I) whether such property is acquired before the period described in subparagraph (A)(v), such property shall be treated as acquired not later than the date on which the taxpayer enters into a written binding contract for such acquisition, and

"(II) whether such property is acquired after such period, such property shall be treated as acquired not earlier than such date.

"(C) EXCLUSION OF OFFICE SPACE, ETC.—The term 'qualified production property' shall not include that portion of

any nonresidential real property which is used for offices, administrative services, lodging, parking, sales activities, research activities, software engineering activities, or other functions unrelated to manufacturing, production, or refining of tangible personal property.

"(D) QUALIFIED PRODUCTION ACTIVITY.—The term 'qualified production activity' means the manufacturing, production, or refining of a qualified product. The activities of any taxpayer do not constitute manufacturing, production, or refining of a qualified product unless the activities of such taxpayer result in a substantial transformation of the property comprising the product.

"(E) PRODUCTION.—The term 'production' shall not include activities other than agricultural production and chemical production.

"(F) QUALIFIED PRODUCT.—The term 'qualified product' means any tangible personal property.

"(G) SYNDICATION.—For purposes of subparagraph (A)(iv), rules similar to the rules of subsection (k)(2)(E)(iii) shall apply.

"(3) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, the deduction under section 167 for qualified production property shall be determined under this section without regard to any adjustment under section 56.

"(4) COORDINATION WITH CERTAIN OTHER PROVISIONS.—

"(A) OTHER SPECIAL DEPRECIATION ALLOWANCES.—The term 'qualified production property' shall not include any property to which subsection (k), (l), or (m) applies. For purposes of subsections (k)(7), (l)(3)(D), and (m)(2)(B)(iii), qualified production property to which this subsection applies shall be treated as a separate class of property.

"(B) ALTERNATIVE DEPRECIATION PROPERTY.—The term 'qualified production property' shall not include any property to which the alternative depreciation system under subsection (g) applies. For purposes of subsection (g)(7)(A), qualified production property to which this subsection applies shall be treated as separate nonresidential real property.

"(5) RECAPTURE.—If, at any time during the 10-year period beginning on the date that any qualified production property is placed in service by the taxpayer, such property ceases to be used as described in paragraph (2)(A)(ii) and is used by the taxpayer in a productive use not described in paragraph (2)(A)(ii)—

"(A) section 1245 shall be applied—

"(i) by treating such property as having been disposed of by the taxpayer as of the first time such property is so used in a productive use not described in paragraph (2)(A)(ii), and

"(ii) by treating the amount described in subparagraph (B) of section 1245(a)(1) with respect to such disposition as being not less than the amount described in subparagraph (A) of such section, and

"(B) the basis of the taxpayer in such property, and the taxpayer's allowance for depreciation with respect to such property, shall be appropriately adjusted to take into account amounts recognized by reason of subparagraph (A).

"(6) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance—

"(A) regarding what constitutes a substantial transformation of property, and

"(B) providing for the application of paragraph (5) with respect to a change in use described in such paragraph by a transferee following a fully or partially tax free transfer of qualified production property.".

(b) TREATMENT OF QUALIFIED PRODUCTION PROPERTY AS SECTION 1245 PROPERTY.—Section 1245(a)(3) is amended by striking "or" at the end of subparagraph (E), by striking the period at the end of subparagraph (F) and inserting ", or", and by adding at the end the following new subparagraph:

"(G) any qualified production property (as defined in section 168(n)(2)).".

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

SEC. 111102. RENEWAL AND ENHANCEMENT OF OPPORTUNITY ZONES.

(a) MODIFICATION OF LOW-INCOME COMMUNITY DEFINITION.—Section 1400Z–1(c)(1) is amended—

(1) by striking "COMMUNITIES.—The term" and inserting the following: "COMMUNITIES.—

"(A) IN GENERAL.—The term", and

(2) by adding at the end the following:

"(B) MODIFICATIONS.—For purposes of subparagraph (A), section 45D(e)(1) shall be applied in subparagraph (B) thereof, by substituting '70 percent' for '80 percent' each place it appears.

"(C) CERTAIN CENSUS TRACTS DISALLOWED.—The term 'low-income community' shall not include any population census tract if—

"(i) in the case of a tract not located within a metropolitan area, the median family income for such tract is at least 125 percent of statewide median family income, or

"(ii) in the case of a tract located within a metropolitan area, the median family income for such tract is at least 125 percent of the metropolitan area median family income.".

(b) NEW ROUND OF QUALIFIED OPPORTUNITY ZONE DESIGNATIONS.—

(1) IN GENERAL.—Section 1400Z–1 is amended by adding at the end the following new subsection:

"(g) NEW ROUND OF QUALIFIED OPPORTUNITY ZONE DESIGNATIONS.—

"(1) IN GENERAL.—In addition to designations under subsection (b), and under rules similar to the rules of such sub-

section, the Secretary shall designate tracts nominated by the chief executive officers of States for purposes of this section.

"(2) NUMBER OF DESIGNATIONS; PROPORTION OF RURAL AREAS DESIGNATED.—

"(A) IN GENERAL.—Of the low-income communities within a State, the Secretary may designate under this subsection not more than 25 percent as qualified opportunity zones, of which at least the lesser of the following shall be qualified opportunity zones which are comprised entirely of a rural area:

"(i) The applicable percentage of the total number of qualified opportunity zone designations which may be made within the State under this subsection.

"(ii) All low-income communities within the State which are comprised entirely of a rural area.

"(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be, for any calendar year during which a designation is made, the greater of—

"(i) 33 percent, or

"(ii) the percentage of the United States population living within a rural area for the preceding calendar year.

"(3) RURAL AREA.—Whether a low-income community is comprised entirely of a rural area shall be determined by the Secretary in consultation with the Secretary of Agriculture. For purposes of this subsection, the term 'rural area' has the meaning given such term by section 343(a)(13)(A) of the Consolidated Farm and Rural Development Act.

"(4) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—A designation as a qualified opportunity zone under this subsection shall remain in effect for the period beginning on January 1, 2027, and ending on December 31, 2033.

"(5) CONTIGUOUS TRACTS NOT ELIGIBLE.—Subsection (e) shall not apply to designations made under this subsection.".

(2) ELECTION WITH RESPECT TO NEW ROUND OF ZONES.—Section 1400Z–2(a)(2)(B) is amended by striking "December 31, 2026" and inserting "December 31, 2033".

(3) YEAR OF INCLUSION.—Section 1400Z–2(b)(1)(B) is amended to read as follows:

"(B)(i) December 31, 2026, in the case of an amount invested before January 1, 2027, and

"(ii) December 31, 2033, in the case of an amount invested after December 31, 2026, and before January 1, 2034.".

(4) WINDING DOWN INITIAL ZONE DESIGNATIONS.—Section 1400Z–1(f) is amended—

(A) by striking "and ending" and all that follows and inserting the following: "and ending on December 31, 2026.", and

(B) by striking "A designation" and inserting "Except as provided in subsection (g)(4), a designation".

(c) MODIFICATION OF OPPORTUNITY ZONE INVESTMENT INCENTIVES.—

(1) CONSOLIDATED BASIS INCREASES; RURAL ZONE BASIS INCREASE.—Section 1400Z–2(b)(2)(B) is amended by adding at the end the following new clauses:

"(v) CONSOLIDATED BASIS INCREASE FOR INVESTMENTS AFTER 2026.—In the case of investments made after December 31, 2026—

"(I) clauses (iii) and (iv) shall not apply, and

"(II) for any such investment held by the taxpayer for at least 5 years, the basis of such adjustment shall be increased by an amount equal to 10 percent of the amount of gain deferred by reason of subsection (a)(1)(A).

"(vi) SPECIAL RULE FOR RURAL OPPORTUNITY FUNDS.—Clause (v) shall be applied by substituting '30 percent' for '10 percent' in the case of an investment in a qualified rural opportunity fund.

"(vii) QUALIFIED RURAL OPPORTUNITY FUND.—For purposes of clause (vi), a 'qualified rural opportunity fund' means a qualified opportunity fund that holds at least 90 percent of its assets in qualified opportunity zone property which—

"(I) is qualified opportunity zone business property substantially all of the use of which, during substantially all of the fund's holding period for such property, was in a qualified opportunity zone comprised entirely of a rural area, or

"(II) is qualified opportunity zone stock, or a qualified opportunity zone partnership interest, in a qualified opportunity zone business in which substantially all of the tangible property owned or leased is qualified opportunity zone business property described in subsection (d)(3)(A)(i) and substantially all the use of which is in a qualified opportunity zone comprised entirely of a rural area.

For purposes of the preceding sentence, property held in the fund shall be measured under rules similar to the rules of subsection (d)(1).".

(2) LIMITED TREATMENT OF ORDINARY INCOME.—Section 1400Z–2(a) is amended by adding at the end the following new paragraph:

"(3) SPECIAL RULE FOR ORDINARY INCOME.—In the case of any ordinary income of the taxpayer for the taxable year—

"(A) the taxpayer may elect the application of paragraph (1) with respect to so much of ordinary income as does not exceed $10,000 (reduced by the amount of any income with respect to which an election pursuant to this paragraph has previously been made), and

"(B) subsection (b)(2)(B) shall not apply to the investment with respect to such election.".

(3) SPECIAL RULE FOR IMPROVEMENT OF EXISTING STRUCTURES IN RURAL AREAS, INCLUDING FOR DATA CENTERS.—Section 1400Z–2(d)(2)(D)(ii) is amended by inserting "(50 percent of such adjusted basis in the case of property in a qualified op-

portunity zone comprised entirely of a rural area)" after "the adjusted basis of such property".

(d) INFORMATION REPORTING ON QUALIFIED OPPORTUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY FUNDS.—

(1) FILING REQUIREMENTS FOR FUNDS AND INVESTORS.—Subpart A of part III of subchapter A of chapter 61 is amended by inserting after section 6039J the following new sections:

"SEC. 6039K. RETURNS WITH RESPECT TO QUALIFIED OPPORTUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY FUNDS.

"(a) IN GENERAL.—Every qualified opportunity fund shall file an annual return (at such time and in such manner as the Secretary may prescribe) containing the information described in subsection (b).

"(b) INFORMATION FROM QUALIFIED OPPORTUNITY FUNDS.—The information described in this subsection is—

"(1) the name, address, and taxpayer identification number of the qualified opportunity fund,

"(2) whether the qualified opportunity fund is organized as a corporation or a partnership,

"(3) the value of the total assets held by the qualified opportunity fund as of each date described in section 1400Z–2(d)(1),

"(4) the value of all qualified opportunity zone property held by the qualified opportunity fund on each such date,

"(5) with respect to each investment held by the qualified opportunity fund in qualified opportunity zone stock or a qualified opportunity zone partnership interest—

"(A) the name, address, and taxpayer identification number of the corporation in which such stock is held or the partnership in which such interest is held, as the case may be,

"(B) each North American Industry Classification System (NAICS) code that applies to the trades or businesses conducted by such corporation or partnership,

"(C) the population census tracts in which the qualified opportunity zone business property of such corporation or partnership is located,

"(D) the amount of the investment in such stock or partnership interest as of each date described in section 1400Z–2(d)(1),

"(E) the value of tangible property held by such corporation or partnership on each such date which is owned by such corporation or partnership,

"(F) the value of tangible property held by such corporation or partnership on each such date which is leased by such corporation or partnership,

"(G) the approximate number of residential units (if any) for any real property held by such corporation or partnership, and

"(H) the approximate average monthly number of full-time equivalent employees of such corporation or partnership for the year (within numerical ranges identified by the Secretary) or such other indication of the employment impact of such corporation or partnership as determined appropriate by the Secretary,

"(6) with respect to the items of qualified opportunity zone business property held by the qualified opportunity fund—

"(A) the North American Industry Classification System (NAICS) code that applies to the trades or businesses in which such property is held,

"(B) the population census tract in which the property is located,

"(C) whether the property is owned or leased,

"(D) the aggregate value of the items of qualified opportunity zone property held by the qualified opportunity fund as of each date described in section 1400Z–2(d)(1), and

"(E) in the case of real property, number of residential units (if any),

"(7) the approximate average monthly number of full-time equivalent employees for the year of the trades or businesses of the qualified opportunity fund in which qualified opportunity zone business property is held (within numerical ranges identified by the Secretary) or such other indication of the employment impact of such trades or businesses as determined appropriate by the Secretary,

"(8) with respect to each person who disposed of an investment in the qualified opportunity fund during the year—

"(A) the name and taxpayer identification number of such person,

"(B) the date or dates on which the investment disposed was acquired, and

"(C) the date or dates on which any such investment was disposed and the amount of the investment disposed, and

"(9) such other information as the Secretary may require.

"(c) STATEMENT REQUIRED TO BE FURNISHED TO INVESTORS.—Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return by reason of subsection (b)(8) a written statement showing—

"(1) the name, address and phone number of the information contact of the person required to make such return, and

"(2) the information required to be shown on such return by reason of subsection (b)(8) with respect to the person whose name is required to be so set forth.

"(d) DEFINITIONS.—For purposes of this section—

"(1) IN GENERAL.—Any term used in this section which is also used in subchapter Z of chapter 1 shall have the meaning given such term under such subchapter.

"(2) FULL-TIME EQUIVALENT EMPLOYEES.—The term 'full-time equivalent employees' means, with respect to any month, the sum of—

"(A) the number of full-time employees (as defined in section 4980H(c)(4)) for the month, plus

"(B) the number of employees determined (under rules similar to the rules of section 4980H(c)(2)(E)) by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 120.

"(e) APPLICATION TO QUALIFIED RURAL OPPORTUNITY FUNDS.—Every qualified rural opportunity fund (as defined in section

1400Z–2(b)(2)(B)(vii)) shall file the annual return required under subsection (a), and the statements required under subsection (c), applied—

"(1) by substituting 'qualified rural opportunity' for 'qualified opportunity' each place it appears,

"(2) by substituting 'section 1400Z–2(b)(2)(B)(vii)' for 'section 1400Z–2(d)(1)' each place it appears, and

"(3) by treating any reference (after the application of paragraph (1)) to qualified rural opportunity zone stock, a qualified rural opportunity zone partnership interest, a qualified rural opportunity zone business, or qualified opportunity zone business property as stock, an interest, a business, or property, respectively, described in (I) or (II), as the case may be, of section 1400Z–2(b)(2)(B)(vii).

"SEC. 6039L. INFORMATION REQUIRED FROM QUALIFIED OPPORTUNITY ZONE BUSINESSES AND QUALIFIED RURAL OPPORTUNITY ZONE BUSINESSES.

"(a) IN GENERAL.—Every applicable qualified opportunity zone business shall furnish to the qualified opportunity fund described in subsection (b) a written statement in such manner and setting forth such information as the Secretary may by regulations prescribe for purposes of enabling such qualified opportunity fund to meet the requirements of section 6039K(b)(5).

"(b) APPLICABLE QUALIFIED OPPORTUNITY ZONE BUSINESS.—For purposes of subsection (a), the term 'applicable qualified opportunity zone business' means any qualified opportunity zone business—

"(1) which is a trade or business of a qualified opportunity fund,

"(2) in which a qualified opportunity fund holds qualified opportunity zone stock, or

"(3) in which a qualified opportunity fund holds a qualified opportunity zone partnership interest.

"(c) OTHER TERMS.—Any term used in this section which is also used in subchapter Z of chapter 1 shall have the meaning given such term under such subchapter.

"(d) APPLICATION TO QUALIFIED RURAL OPPORTUNITY BUSINESSES.—Every applicable qualified rural opportunity zone business (as defined in subsection (b) determined after application of the substitutions described in this sentence) shall furnish the written statement required under subsection (a), applied—

"(1) by substituting 'qualified rural opportunity' for 'qualified opportunity' each place it appears, and

"(2) by treating any reference (after the application of paragraph (1)) to qualified rural opportunity zone stock, a qualified rural opportunity zone partnership interest, or a qualified rural opportunity zone business as stock, an interest, or a business, respectively, described in (I) or (II), as the case may be, of section 1400Z–2(b)(2)(B)(vii).".

(2) PENALTIES.—

(A) IN GENERAL.—Part II of subchapter B of chapter 68 is amended by inserting after section 6725 the following new section:

"SEC. 6726. FAILURE TO COMPLY WITH INFORMATION REPORTING REQUIREMENTS RELATING TO QUALIFIED OPPORTUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY FUNDS.

"(a) IN GENERAL.—In the case of any person required to file a return under section 6039K fails to file a complete and correct return under such section in the time and in the manner prescribed therefor, such person shall pay a penalty of $500 for each day during which such failure continues.

"(b) LIMITATION.—

"(1) IN GENERAL.—The maximum penalty under this section on failures with respect to any 1 return shall not exceed $10,000.

"(2) LARGE QUALIFIED OPPORTUNITY FUNDS.—In the case of any failure described in subsection (a) with respect to a fund the gross assets of which (determined on the last day of the taxable year) are in excess of $10,000,000, paragraph (1) shall be applied by substituting '$50,000' for '$10,000'.

"(c) PENALTY IN CASES OF INTENTIONAL DISREGARD.—If a failure described in subsection (a) is due to intentional disregard, then—

"(1) subsection (a) shall be applied by substituting '$2,500' for '$500',

"(2) subsection (b)(1) shall be applied by substituting '$50,000' for '$10,000', and

"(3) subsection (b)(2) shall be applied by substituting '$250,000' for '$50,000'.

"(d) INFLATION ADJUSTMENT.—

"(1) IN GENERAL.—In the case of any failure relating to a return required to be filed in a calendar year beginning after 2025, each of the dollar amounts in subsections (a), (b), and (c) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year determined by substituting 'calendar year 2024' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(2) ROUNDING.—

"(A) IN GENERAL.—If the $500 dollar amount in subsection (a) and (c)(1) or the $2,500 amount in subsection (c)(1), after being increased under paragraph (1), is not a multiple of $10, such dollar amount shall be rounded to the next lowest multiple of $10.

"(B) ASSET THRESHOLD.—If the $10,000,000 dollar amount in subsection (b)(2), after being increased under paragraph (1), is not a multiple of $10,000, such dollar amount shall be rounded to the next lowest multiple of $10,000.

"(C) OTHER DOLLAR AMOUNTS.—If any dollar amount in subsection (b) or (c) (other than any amount to which subparagraph (A) or (B) applies), after being increased under paragraph (1), is not a multiple of $1,000, such dollar amount shall be rounded to the next lowest multiple of $1,000.".

(B) INFORMATION REQUIRED TO BE SENT TO OTHER TAXPAYERS.—Section 6724(d)(2) is amended—

(i) by striking "or" at the end of subparagraph (KK),

(ii) by striking the period at the end of the subparagraph (LL) and inserting a comma, and

(iii) by inserting after subparagraph (LL) the following new subparagraphs:

"(MM) section 6039K(c) (relating to disposition of qualified opportunity fund investments), or

"(NN) section 6039L (relating to information required from certain qualified opportunity zone businesses and qualified rural opportunity zone businesses).".

(3) ELECTRONIC FILING.—Section 6011(e) is amended by adding at the end the following new paragraph:

"(8) QUALIFIED OPPORTUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY FUNDS.—Notwithstanding paragraphs (1) and (2), any return filed by a qualified opportunity fund or qualified rural opportunity fund shall be filed on magnetic media or other machine-readable form.".

(4) CLERICAL AMENDMENTS.—

(A) The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6039J the following new items:

"Sec. 6039K. Returns with respect to qualified opportunity funds and qualified rural opportunity funds.

"Sec. 6039L. Information required from qualified opportunity zone businesses and qualified rural opportunity zone businesses.".".

(B) The table of sections for part II of subchapter B of chapter 68 is amended by inserting after the item relating to section 6725 the following new item:

"Sec. 6726. Failure to comply with information reporting requirements relating to qualified opportunity funds and qualified rural opportunity funds.".

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after the date of the enactment of this Act.

(e) SECRETARY REPORTING OF DATA ON OPPORTUNITY ZONE AND RURAL OPPORTUNITY ZONE TAX INCENTIVES.—

(1) IN GENERAL.—As soon as practical after the date of the enactment of this Act, and annually thereafter, the Secretary of the Treasury, or the Secretary's delegate (referred to in this section as the "Secretary"), in consultation with the Director of the Bureau of the Census and such other agencies as the Secretary determines appropriate, shall make publicly available a report on qualified opportunity funds.

(2) INFORMATION INCLUDED.—The report required under paragraph (1) shall include, to the extent available, the following information:

(A) The number of qualified opportunity funds.

(B) The aggregate dollar amount of assets held in qualified opportunity funds.

(C) The aggregate dollar amount of investments made by qualified opportunity funds in qualified opportunity fund property, stated separately for each North American Industry Classification System (NAICS) code.

(D) The percentage of population census tracts designated as qualified opportunity zones that have received qualified opportunity fund investments.

(E) For each population census tract designated as a qualified opportunity zone, the approximate average monthly number of full-time equivalent employees of the qualified opportunity zone businesses in such qualified opportunity zone for the preceding 12-month period (within numerical ranges identified by the Secretary) or such other indication of the employment impact of such qualified opportunity fund businesses as determined appropriate by the Secretary.

(F) The percentage of the total amount of investments made by qualified opportunity funds in—

(i) qualified opportunity zone property which is real property; and

(ii) other qualified opportunity zone property.

(G) For each population census tract, the aggregate approximate number of residential units resulting from investments made by qualified opportunity funds in real property.

(H) The aggregate dollar amount of investments made by qualified opportunity funds in each population census tract.

(3) ADDITIONAL INFORMATION.—

(A) IN GENERAL.—Beginning with the report submitted under paragraph (1) for the 6th year after the date of the enactment of this Act, the Secretary shall include in such report the impacts and outcomes of a designation of a population census tract as a qualified opportunity zone as measured by economic indicators, such as job creation, poverty reduction, new business starts, and other metrics as determined by the Secretary.

(B) SEMI-DECENNIAL INFORMATION.—

(i) IN GENERAL.—In the case of any report submitted under paragraph (1) in the 6th year or the 11th year after the date of the enactment of this Act, the Secretary shall include the following information:

(I) For population census tracts designated as a qualified opportunity zone, a comparison (based on aggregate information) of the factors listed in clause (iii) between the 5-year period ending on the date of the enactment of Public Law 115–97 and the most recent 5-year period for which data is available.

(II) For population census tracts designated as a qualified opportunity zone, a comparison (based on aggregate information) of the factors listed in clause (iii) for the most recent 5-year period for which data is available between such population census tracts and a similar population census tracts that were not designated as a qualified opportunity zone.

(ii) CONTROL GROUPS.—For purposes of clause (i), the Secretary may combine population census tracts into such groups as the Secretary determines appropriate for purposes of making comparisons.

(iii) FACTORS LISTED.—The factors listed in this clause are the following:

(I) The unemployment rate.

(II) The number of persons working in the population census tract, including the percentage of such persons who were not residents in the population census tract in the preceding year.

(III) Individual, family, and household poverty rates.

(IV) Median family income of residents of the population census tract.

(V) Demographic information on residents of the population census tract, including age, income, education, race, and employment.

(VI) The average percentage of income of residents of the population census tract spent on rent annually.

(VII) The number of residences in the population census tract.

(VIII) The rate of home ownership in the population census tract.

(IX) The average value of residential property in the population census tract.

(X) The number of affordable housing units in the population census tract.

(XI) The number and percentage of residents in the population census tract that were not employed for the preceding year.

(XII) The number of new business starts in the population census tract.

(XIII) The distribution of employees in the population census tract by North American Industry Classification System (NAICS) code.

(4) PROTECTION OF IDENTIFIABLE RETURN INFORMATION.—In making reports required under this subsection, the Secretary—

(A) shall establish appropriate procedures to ensure that any amounts reported do not disclose taxpayer return information that can be associated with any particular taxpayer or competitive or proprietary information, and

(B) if necessary to protect taxpayer return information, may combine information required with respect to individual population census tracts into larger geographic areas.

(5) DEFINITIONS.—Any term used in this subsection which is also used in subchapter Z of chapter 1 of the Internal Revenue Code of 1986 shall have the meaning given such term under such subchapter.

(6) REPORTS ON QUALIFIED RURAL OPPORTUNITY FUNDS.—The Secretary shall make publicly available, with respect to qualified rural opportunity funds, separate reports as required under this subsection, applied—

(A) by substituting "qualified rural opportunity" for "qualified opportunity" each place it appears,

(B) by substituting a reference to this Act for "Public Law 115–97", and

(C) by treating any reference (after the application of subparagraph (A)) to qualified rural opportunity zone stock, qualified rural opportunity zone partnership interest, qualified rural opportunity zone business, or qualified opportunity zone business property as stock, interest, business, or property, respectively, described in (I) or (II), as the case may be, of section 1400Z–2(b)(2)(B)(vii) of the Internal Revenue Code of 1986.

SEC. 111103. INCREASED DOLLAR LIMITATIONS FOR EXPENSING OF CERTAIN DEPRECIABLE BUSINESS ASSETS.

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

(1) in paragraph (1), by striking "$1,000,000" and inserting "$2,500,000", and

(2) in paragraph (2), by striking "$2,500,000" and inserting "$4,000,000".

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

(1) by inserting "(2025 in the case of the dollar amounts in paragraphs (1) and (2))" after "In the case of any taxable year beginning after 2018", and

(2) in clause (ii), by striking "determined by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof." and inserting "determined by substituting in subparagraph (A)(ii) thereof—

"(I) in the case of amounts in paragraphs (1) and (2), 'calendar year 2024' for 'calendar year 2016', and

"(II) in the case of the amount in paragraph (5)(A), 'calendar year 2017' for 'calendar year 2016'.".

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

SEC. 111104. REPEAL OF REVISION TO DE MINIMIS RULES FOR THIRD PARTY NETWORK TRANSACTIONS.

(a) REINSTATEMENT OF EXCEPTION FOR DE MINIMIS PAYMENTS AS IN EFFECT PRIOR TO ENACTMENT OF AMERICAN RESCUE PLAN ACT OF 2021.—

(1) IN GENERAL.—Section 6050W(e) is amended to read as follows:

"(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third party settlement organization shall be required to report any information under subsection (a) with respect to third party network transactions of any participating payee only if—

"(1) the amount which would otherwise be reported under subsection (a)(2) with respect to such transactions exceeds $20,000, and

"(2) the aggregate number of such transactions exceeds 200.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect as if included in section 9674 of the American Rescue Plan Act.

(b) APPLICATION OF DE MINIMIS RULE FOR THIRD PARTY NETWORK TRANSACTIONS TO BACKUP WITHHOLDING.—

(1) IN GENERAL.—Section 3406(b) is amended by adding at the end the following new paragraph:

"(8) OTHER REPORTABLE PAYMENTS INCLUDE PAYMENTS IN SETTLEMENT OF THIRD PARTY NETWORK TRANSACTIONS ONLY WHERE AGGREGATE TRANSACTIONS EXCEED REPORTING THRESHOLD FOR THE CALENDAR YEAR.—

"(A) IN GENERAL.—Any payment in settlement of a third party network transaction required to be shown on a return required under section 6050W which is made during any calendar year shall be treated as a reportable payment only if—

"(i) the aggregate number of transactions with respect to the participating payee during such calendar year exceeds the number of transactions specified in section 6050W(e)(2), and

"(ii) the aggregate amount of transactions with respect to the participating payee during such calendar year exceeds the dollar amount specified in section 6050W(e)(1) at the time of such payment.

"(B) EXCEPTION IF THIRD PARTY NETWORK TRANSACTIONS MADE IN PRIOR YEAR WERE REPORTABLE.—Subparagraph (A) shall not apply with respect to payments to any participating payee during any calendar year if one or more payments in settlement of third party network transactions made by the payor to the participating payee during the preceding calendar year were reportable payments.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to calendar years beginning after December 31, 2024.

SEC. 111105. INCREASE IN THRESHOLD FOR REQUIRING INFORMATION REPORTING WITH RESPECT TO CERTAIN PAYEES.

(a) IN GENERAL.—Section 6041(a) is amended by striking "$600" and inserting "$2,000".

(b) INFLATION ADJUSTMENT.—Section 6041 is amended by adding at the end the following new subsection:

"(h) INFLATION ADJUSTMENT.—In the case of any calendar year after 2026, the dollar amount in subsection (a) shall be increased by an amount equal to—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If any increase under the preceding sentence is not a multiple of $100, such increase shall be rounded to the nearest multiple of $100.".

(c) APPLICATION TO REPORTING ON REMUNERATION FOR SERVICES.—Section 6041A(a)(2) is amended by striking "is $600 or more" and inserting "equals or exceeds the dollar amount in effect for such calendar year under section 6041(a)".

(d) APPLICATION TO BACKUP WITHHOLDING.—Section 3406(b)(6) is amended—

(1) by striking "$600" in subparagraph (A) and inserting "the dollar amount in effect for such calendar year under section 6041(a)", and

(2) by striking "ONLY WHERE AGGREGATE FOR CALENDAR YEAR IS $600 OR MORE" in the heading and inserting "ONLY IF IN EXCESS OF THRESHOLD".

(e) CONFORMING AMENDMENTS.—

(1) The heading of section 6041(a) is amended by striking "OF $600 OR MORE" and inserting "EXCEEDING THRESHOLD".

(2) Section 6041(a) is amended by striking "taxable year" and inserting "calendar year".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to payments made after December 31, 2025.

SEC. 111106. REPEAL OF EXCISE TAX ON INDOOR TANNING SERVICES.

(a) IN GENERAL.—Subtitle D is amended by striking chapter 49 and by striking the item relating to such chapter in the table of chapters of such subtitle.

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

SEC. 111107. EXCLUSION OF INTEREST ON LOANS SECURED BY RURAL OR AGRICULTURAL REAL PROPERTY.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting after section 139I the following new section:

"SEC. 139J. INTEREST ON LOANS SECURED BY RURAL OR AGRICULTURAL REAL PROPERTY.

"(a) IN GENERAL.—Gross income shall not include 25 percent of the interest received by a qualified lender on any qualified real estate loan.

"(b) QUALIFIED LENDER.—For purposes of this section, the term 'qualified lender' means—

"(1) any bank or savings association the deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.),

"(2) any State- or federally-regulated insurance company,

"(3) any entity wholly owned, directly or indirectly, by a company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (12 U.S.C. 3106) if—

"(A) such entity is organized, incorporated, or established under the laws of the United States or any State of the United States, and

"(B) the principal place of business of such entity is in the United States (including any territory of the United States),

"(4) any entity wholly owned, directly or indirectly, by a company that is considered an insurance holding company under the laws of any State if such entity satisfies the requirements described in subparagraphs (A) and (B) of paragraph (3), and

"(5) with respect to interest received on a qualified real estate loan secured by real estate described in subsection (c)(3)(A), any federally chartered instrumentality of the United

States established under section 8.1(a) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-1(a)).

"(c) QUALIFIED REAL ESTATE LOAN.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified real estate loan' means any loan—

"(A) secured by—

"(i) rural or agricultural real estate, or

"(ii) a leasehold mortgage (with a status as a lien) on rural or agricultural real estate,

"(B) made to a person other than a specified foreign entity (as defined in section 7701(a)(51)), and

"(C) made after the date of the enactment of this section and before January 1, 2029.

For purposes of the preceding sentence, the determination of whether property securing such loan is rural or agricultural real estate shall be made as of the time the interest income on such loan is accrued.

"(2) REFINANCINGS.—For purposes of subparagraphs (A) and (C) of paragraph (1), a loan shall not be treated as made after the date of the enactment of this section to the extent that the proceeds of such loan are used to refinance a loan which was made on or before the date of the enactment of this section (or, in the case of any series of refinancings, the original loan was made on or before such date).

"(3) RURAL OR AGRICULTURAL REAL ESTATE.—The term 'rural or agricultural real estate' means—

"(A) any real property which is substantially used for the production of one or more agricultural products,

"(B) any real property which is substantially used in the trade or business of fishing or seafood processing, and

"(C) any aquaculture facility.

Such term shall not include any property which is not located in a State or a possession of the United States.

"(4) AQUACULTURE FACILITY.—The term 'aquaculture facility' means any land, structure, or other appurtenance that is used for aquaculture (including any hatchery, rearing pond, raceway, pen, or incubator).

"(d) COORDINATION WITH SECTION 265.—Qualified real estate loans shall be treated as obligations described in section 265(a)(2) the interest on which is wholly exempt from the taxes imposed by this subtitle.".

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 139I the following new item:

"Sec. 139J. Interest on loans secured by rural or agricultural real property.".

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

SEC. 111108. TREATMENT OF CERTAIN QUALIFIED SOUND RECORDING PRODUCTIONS.

(a) ELECTION TO TREAT COSTS AS EXPENSES.—Section 181(a)(1) is amended by striking "qualified film or television production, and any qualified live theatrical production," and inserting "qualified

film or television production, any qualified live theatrical production, and any qualified sound recording production".

(b) DOLLAR LIMITATION.—Section 181(a)(2) is amended by adding at the end the following new subparagraph:

"(C) QUALIFIED SOUND RECORDING PRODUCTION.—Paragraph (1) shall not apply to so much of the aggregate cost of any qualified sound recording production, or to so much of the aggregate, cumulative cost of all such qualified sound recording productions in the taxable year, as exceeds $150,000.".

(c) NO OTHER DEDUCTION OR AMORTIZATION DEDUCTION ALLOWABLE.—Section 181(b) is amended by striking "qualified film or television production or any qualified live theatrical production" and inserting "qualified film or television production, any qualified live theatrical production, or any qualified sound recording production".

(d) ELECTION.—Section 181(c)(1) is amended by striking "qualified film or television production or any qualified live theatrical production" and inserting "qualified film or television production, any qualified live theatrical production, or any qualified sound recording production".

(e) QUALIFIED SOUND RECORDING PRODUCTION DEFINED.—Section 181 is amended by redesignating subsections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:

"(f) QUALIFIED SOUND RECORDING PRODUCTION.—For purposes of this section, the term 'qualified sound recording production' means a sound recording (as defined in section 101 of title 17, United States Code) produced and recorded in the United States.".

(f) APPLICATION OF TERMINATION.—Section 181(g) is amended by striking "qualified film and television productions or qualified live theatrical productions" and inserting "qualified film and television productions, qualified live theatrical productions, and qualified sound recording productions".

(g) BONUS DEPRECIATION.—

(1) QUALIFIED SOUND RECORDING PRODUCTION AS QUALIFIED PROPERTY.—Section 168(k)(2)(A)(i), as amended by the preceding provisions of this Act, is amended—

(A) by striking "or" at the end of subclause (IV), by striking "and" and inserting "or" at the end of subclause (V), and by inserting after subclause (V) the following:

"(VI) which is a qualified sound recording production (as defined in subsection (f) of section 181) which is placed in service before January 1, 2029, for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (h) of such section or this subsection, and", and

(B) in subclauses (IV) and (V) (as so amended) by striking "without regard to subsections (a)(2) and (g)" both places it appears and inserting "without regard to subsections (a)(2) and (h)".

(2) PRODUCTION PLACED IN SERVICE.—Section 168(k)(2)(H) is amended by striking "and" at the end of clause (i), by striking

the period at the end of clause (ii) and inserting ", and", and by adding after clause (ii) the following:

"(iii) a qualified sound recording production shall be considered to be placed in service at the time of initial release or broadcast.".

(h) CONFORMING AMENDMENTS.—

(1) The heading for section 181 is amended to read as follows: "**TREATMENT OF CERTAIN QUALIFIED PRODUCTIONS**.".

(2) The table of sections for part VI of subchapter B of chapter 1 is amended by striking the item relating to section 181 and inserting the following new item:

"Sec. 181. Treatment of certain qualified productions.".

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

SEC. 111109. MODIFICATIONS TO LOW-INCOME HOUSING CREDIT.

(a) STATE HOUSING CREDIT CEILING INCREASE FOR LOW-INCOME HOUSING CREDIT.—

(1) IN GENERAL.—Section 42(h)(3)(I) is amended—

(A) by striking "and 2021," and inserting "2021, 2026, 2027, 2028, and 2029,", and

(B) by striking "2018, 2019, 2020, AND 2021" in the heading and inserting "CERTAIN CALENDAR YEARS".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to calendar years after 2025.

(b) TAX-EXEMPT BOND FINANCING REQUIREMENT.—

(1) IN GENERAL.—Section 42(h)(4) is amended by striking subparagraph (B) and inserting the following:

"(B) SPECIAL RULE WHERE MINIMUM PERCENT OF BUILDINGS IS FINANCED WITH TAX-EXEMPT BONDS SUBJECT TO VOLUME CAP.—For purposes of subparagraph (A), paragraph (1) shall not apply to any portion of the credit allowable under subsection (a) with respect to a building if—

"(i) 50 percent or more of the aggregate basis of such building and the land on which the building is located is financed by 1 or more obligations described in subparagraph (A), or

"(ii)(I) 25 percent or more of the aggregate basis of such building and the land on which the building is located is financed by 1 or more qualified obligations, and

"(II) 1 or more of such qualified obligations—

"(aa) are part of an issue the issue date of which is after December 31, 2025, and

"(bb) provide the financing for not less than 5 percent of the aggregate basis of such building and the land on which the building is located.

"(C) QUALIFIED OBLIGATION.—For purposes of subparagraph (B)(ii), the term 'qualified obligation' means an obligation which is described in subparagraph (A) and which is part of an issue the issue date of which is before January 1, 2030.".

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by this subsection shall apply to buildings placed in service in taxable years beginning after December 31, 2025.

(B) REHABILITATION EXPENDITURES TREATED AS SEPARATE NEW BUILDING.—In the case of any building with respect to which any expenditures are treated as a separate new building under section 42(e) of the Internal Revenue Code of 1986, for purposes of subparagraph (A), both the existing building and the separate new building shall be treated as having been placed in service on the date such expenditures are treated as placed in service under section 42(e)(4) of such Code.

(c) TEMPORARY INCLUSION OF INDIAN AREAS AND RURAL AREAS AS DIFFICULT DEVELOPMENT AREAS FOR PURPOSES OF CERTAIN BUILDINGS.—

(1) IN GENERAL.—Section 42(d)(5)(B)(iii)(I) is amended by inserting before the period the following: ", and, in the case of buildings placed in service after December 31, 2025 and before January 1, 2030, any Indian area or rural area".

(2) INDIAN AREA; RURAL AREA.—Section 42(d)(5)(B)(iii) is amended by redesignating subclause (II) as subclause (IV) and by inserting after subclause (I) the following new subclauses:

"(II) INDIAN AREA.—For purposes of subclause (I), the term 'Indian 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))).

"(III) RURAL AREA.—For purposes of subclause (I), the term 'rural area' means any non-metropolitan area, or any rural area as defined by section 520 of the Housing Act of 1949, which is identified by the qualified allocation plan under subsection (m)(1)(B).".

(3) ELIGIBLE BUILDINGS.—Section 42(d)(5)(B)(iii), as amended by paragraph (2), is further amended by adding at the end the following new subclause:

"(V) SPECIAL RULE FOR BUILDINGS IN INDIAN AREAS.—In the case of an area which is a difficult development area solely because it is an Indian area, a building shall not be treated as located in such area unless such building is assisted or financed under the Native American Housing Assistance and Self Determination Act of 1996 (25 U.S.C. 4101 et seq.) or the project sponsor is an Indian tribe (as defined in section 45A(c)(6)), a tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), or wholly owned or controlled by such an Indian tribe or tribally designated housing entity.".

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to buildings placed in service after December 31, 2025.

SEC. 111110. INCREASED GROSS RECEIPTS THRESHOLD FOR SMALL MANUFACTURING BUSINESSES.

(a) IN GENERAL.—Section 448(c) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

"(4) GROSS RECEIPTS TEST FOR MANUFACTURING TAXPAYERS.—In the case of a manufacturing taxpayer, paragraph (1) shall be applied by substituting '$80,000,000' for '$25,000,000'.".

(b) INFLATION ADJUSTMENT.—Section 448(c)(5) (as so redesignated) is amended by striking "the dollar amount in paragraph (1) shall be increased" and inserting "the dollar amounts in paragraphs (1) and (4) shall each be increased".

(c) MANUFACTURING TAXPAYER DEFINED.—Section 448(d) is amended by redesignating paragraph (8) as paragraph (9) and by inserting after paragraph (7) the following new paragraph:

"(8) MANUFACTURING TAXPAYER.—

"(A) IN GENERAL.—The term 'manufacturing taxpayer' means a corporation or partnership substantially all the gross receipts of which during the 3-taxable-year period described in subsection (c)(1) are derived from the lease, rental, license, sale, exchange, or other disposition of qualified products.

"(B) QUALIFIED PRODUCT.—For purposes of subparagraph (A), the term 'qualified product' means a product that is both—

"(i) tangible personal property which is not a food or beverage prepared in the same building as a retail establishment in which substantially similar property is sold to the public, and

"(ii) produced or manufactured by the taxpayer in a manner which results in a substantial transformation (within the meaning of section 168(n)(2)(D)) of the property comprising the product.

"(C) AGGREGATION RULE.—Solely for purposes of determining whether a taxpayer is a manufacturing taxpayer under subparagraph (A)—

"(i) gross receipts shall be determined under the rules of paragraphs (2) and (3) of subsection (c), and

"(ii) for purposes of subsection (c)(2), in applying section 52(b), the term 'trade or business' shall include any activity treated as a trade or business under paragraph (5) or (6) of section 469(c) (determined without regard to the phrase 'To the extent provided in regulations' in such paragraph (6)).".

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

SEC. 111111. GLOBAL INTANGIBLE LOW-TAXED INCOME DETERMINED WITHOUT REGARD TO CERTAIN INCOME DERIVED FROM SERVICES PERFORMED IN THE VIRGIN ISLANDS.

(a) IN GENERAL.—Section 951A(c)(2)(A)(i) is amended by striking "and" at the end of subclause (IV), by striking the period at the end

of subclause (V) and inserting ", and", and by adding at the end the following new subclause:

"(VI) in the case of any specified United States shareholder, any qualified Virgin Islands services income.".

(b) DEFINITIONS AND SPECIAL RULES.—Section 951A(c)(2) is amended by adding at the end the following new subparagraph:

"(C) PROVISIONS RELATED TO QUALIFIED VIRGIN ISLANDS SERVICES INCOME.—For purposes of subparagraph (A)(i)(VI)—

"(i) QUALIFIED VIRGIN ISLANDS SERVICES INCOME.—The term 'qualified Virgin Islands services income' means any gross income which satisfies all of the following requirements:

"(I) Such gross income is compensation for labor or personal services performed in the Virgin Islands by a corporation formed under the laws of the Virgin Islands.

"(II) Such gross income is attributable to services performed from within the Virgin Islands by individuals for the benefit of such corporation.

"(III) Such gross income is effectively connected with the conduct of a trade or business within the Virgin Islands.

"(ii) SPECIFIED UNITED STATES SHAREHOLDER.—The term 'specified United States shareholder' means any United States shareholder which is—

"(I) an individual, trust, or estate, or

"(II) a closely held C corporation (as defined in section 469(j)(1)) if such corporation acquired its direct or indirect equity interest in the foreign corporation which derived the qualified Virgin Islands services income before December 31, 2023.

"(iii) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out this subparagraph and subparagraph (A)(i)(VI), including regulations or other guidance to prevent the abuse of such subparagraphs.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after the date of the enactment of this Act, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 111112. EXTENSION AND MODIFICATION OF CLEAN FUEL PRODUCTION CREDIT.

(a) PROHIBITION ON FOREIGN FEEDSTOCKS.—

(1) IN GENERAL.—Section 45Z(f)(1)(A) is amended—

(A) in clause (i)(II)(bb), by striking "and" at the end,

(B) in clause (ii), by striking the period at the end and inserting ", and", and

(C) by adding at the end the following new clause:

"(iii) such fuel is exclusively derived from a feedstock which was produced or grown in the United States, Mexico, or Canada.".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to transportation fuel sold after December 31, 2025.

(b) DETERMINATION OF EMISSIONS RATE.—

(1) IN GENERAL.—Section 45Z(b)(1)(B) is amended by adding at the end the following new clauses:

"(iv) EXCLUSION OF INDIRECT LAND USE CHANGES.—Notwithstanding clauses (ii) and (iii), the lifecycle greenhouse gas emissions shall be adjusted as necessary to exclude any emissions attributed to indirect land use change. Any such adjustment shall be based on regulations or methodologies determined by the Secretary in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Agriculture.

"(v) ANIMAL MANURES.—For purposes of the table described in clause (i), with respect to any transportation fuels which are derived from animal manure, a distinct emissions rate shall be provided with respect to each of the specific feedstocks used to such produce such fuel, which shall include dairy manure, swine manure, poultry manure, and such other sources as are determined appropriate by the Secretary.".

(2) CONFORMING AMENDMENT.—Section 45Z(b)(1)(B)(i) is amended by striking "clauses (ii) and (iii)" and inserting "clauses (ii), (iii), (iv), and (v)".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to emissions rates published for taxable years beginning after December 31, 2025.

(c) EXTENSION OF CLEAN FUEL PRODUCTION CREDIT.—Section 45Z(g) is amended by striking "December 31, 2027" and inserting "December 31, 2031".

(d) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

(1) IN GENERAL.—Section 45Z(f) is amended by adding at the end the following new paragraph:

"(8) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after the date of enactment of this Act.

PART 3—INVESTING IN THE HEALTH OF RURAL AMERICA AND MAIN STREET

SEC. 111201. EXPANDING THE DEFINITION OF RURAL EMERGENCY HOSPITAL UNDER THE MEDICARE PROGRAM.

(a) IN GENERAL.—Section 1861(kkk) of the Social Security Act (42 U.S.C. 1395x(kkk)) is amended—

(1) in paragraph (2)—

(A) in subparagraph (A), by striking "the detailed transition plan" and all that follows through "such paragraph" and inserting "the detailed transition plan described in clause (i)(I) of such paragraph or the assessment of health care needs described in clause (i)(II) of such paragraph, as applicable,";

(B) in subparagraph (D)(vi), by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following new subparagraph:

"(E) in the case of a facility described in paragraph (3)(B)—

"(i) submits an application under section 1866(j) to enroll under this title as a rural emergency hospital—

"(I) in the case that such facility is located in a State that, as of January 1, 2027, provides for the licensing of rural emergency hospitals under State or applicable local law (as described in paragraph (5)(A)), not later than December 31, 2027; and

"(II) in the case that such facility is located in a State that, as of January 1, 2027, does not provide for the licensing of such rural emergency hospitals under State or applicable local law (as so described), not later than the date that is 1 year after the date on which such State begins to provide for such licensing; and

"(ii) in the case that such facility is located less than 35 miles away from the nearest hospital, critical access hospital, or rural emergency hospital as of the date on which such facility submits an application under section 1866(j) to enroll under this title as a rural emergency hospital, beginning not later than 1 year after the end of the first full cost reporting period for which the facility is so enrolled, demonstrates annually, in a form and manner determined appropriate by the Secretary, that more than 50 percent of the services furnished for the most recent cost reporting period (as determined by the Secretary) were services described in paragraph (1)(A)(i), as determined based on discharges of individuals entitled to benefits under part A or enrolled under part B during such cost reporting period.";

(2) in paragraph (3)—

(A) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively, and adjusting the margins accordingly;

(B) by striking "A facility" and inserting:

"(A) IN GENERAL.—A facility"; and

(C) by adding at the end the following new subparagraph:

"(B) ADDITIONAL FACILITIES.—Beginning January 1, 2027, a facility described in this paragraph shall also include a facility that—

"(i) at any time during the period beginning January 1, 2014, and ending December 26, 2020—

"(I) was a critical access hospital; or

"(II) was a subsection (d) hospital (as defined in section 1886(d)(1)(B)) with not more than 50 beds located in a county (or equivalent unit of local government) in a rural area (as defined in section 1886(d)(2)(D)); and

"(ii) as of December 27, 2020, was not enrolled in the program under this title under section 1866(j).''; and

(3) in paragraph (4)—

(A) in subparagraph (A)(i)—

(i) in subclause (IV), by striking the period at the end and inserting ''; and'';

(ii) by redesignating subclauses (I) through (IV) as items (aa) through (dd), respectively, and adjusting the margins accordingly;

(iii) by striking ''including a detailed'' and inserting ''including—

"(I) except in the case of a facility described in paragraph (3)(B), a detailed''; and

(iv) by adding at the end the following new subclause:

"(II) in the case of a facility described in paragraph (3)(B), an assessment of the health care needs of the county (or equivalent unit of local government) in which such facility is located, which shall include—

"(aa) a description of the services furnished by the facility during the period that such facility was enrolled in the program under this title under section 1866(j);

"(bb) a description of the reasons that the facility, as of December 27, 2020, was no longer so enrolled;

"(cc) the population of such county (or equivalent unit);

"(dd) the percentage of such population who are individuals entitled to benefits under part A or enrolled under part B; and

"(ee) a description of any lack of access to health care services experienced by such individuals, and an explanation of how reopening the facility as a rural emergency hospital would mitigate such lack of access.''.

(b) AMENDMENTS TO PAYMENT RULES.—Section 1834(x) of the Social Security Act (42 U.S.C. 1395m(x)) is amended—

(1) in paragraph (1), by inserting '', except that, in the case of a facility described in section 1861(kkk)(3)(B) that, as of the date on which such facility submits an application under section 1866(j) to enroll under this title as a rural emergency hos-

pital, is located less than 35 miles away from the nearest hospital, critical access hospital, or rural emergency hospital, such increase shall not apply" before the period at the end; and

(2) in paragraph (2)(A), by inserting "(other than a facility described in section 1861(kkk)(3)(B) that, as of the date on which such facility submits an application under section 1866(j) to enroll under this title as a rural emergency hospital, is located less than 10 miles away from the nearest hospital, critical access hospital, or rural emergency hospital)" after "rural emergency hospital".

Subtitle C—Make America Win Again

PART 1—WORKING FAMILIES OVER ELITES

SEC. 112001. TERMINATION OF PREVIOUSLY-OWNED CLEAN VEHICLE CREDIT.

(a) IN GENERAL.—Section 25E(g) is amended by striking "December 31, 2032" and inserting "December 31, 2025".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to vehicles acquired after December 31, 2025.

SEC. 112002. TERMINATION OF CLEAN VEHICLE CREDIT.

(a) IN GENERAL.—Section 30D is amended—

(1) by redesignating subsection (h) as subsection (i), and

(2) in subsection (i), as so redesignated, by striking "December 31, 2032" and inserting "December 31, 2026".

(b) SPECIAL RULE FOR TAXABLE YEAR 2026.—Section 30D is amended by inserting after subsection (g) the following new subsection:

"(h) SPECIAL RULE FOR TAXABLE YEAR 2026.—

"(1) IN GENERAL.—With respect to any vehicle placed in service after December 31, 2025, such vehicle shall not be treated as a new clean vehicle for purposes of this section if, during the period beginning on December 31, 2009, and ending on December 31, 2025, the number of covered vehicles manufactured by the manufacturer of such vehicle which are sold for use in the United States is greater than 200,000.

"(2) COVERED VEHICLES.—For purposes of this subsection, the term 'covered vehicles' means—

"(A) with respect to vehicles placed in service before January 1, 2023, new qualified plug-in electric drive motor vehicles (as defined in subsection (d)(1), as in effect on December 31, 2022), and

"(B) new clean vehicles.

"(3) CONTROLLED GROUPS.—Rules similar to the rules of section 30B(f)(4) shall apply for purposes of this subsection.".

(c) CONFORMING AMENDMENTS.—Section 30D(e) is amended—

(1) in paragraph (1)(B)—

(A) in clause (iii), by inserting "and" after the comma at the end,

(B) in clause (iv), by striking ", and" and inserting a period, and

(C) by striking clause (v), and

(2) in paragraph (2)(B)—

(A) in clause (ii), by inserting "and" after the comma at the end,

(B) in clause (iii), by striking the comma at the end and inserting a period, and

(C) by striking clauses (iv) through (vi).

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

SEC. 112003. TERMINATION OF QUALIFIED COMMERCIAL CLEAN VEHICLES CREDIT.

(a) IN GENERAL.—Section 45W(g) is amended to read as follows:

"(g) TERMINATION.—

"(1) IN GENERAL.—No credit shall be determined under this section with respect to any vehicle acquired after December 31, 2025.

"(2) EXCEPTION FOR BINDING CONTRACTS.—Paragraph (1) shall not apply with respect to vehicles placed in service before January 1, 2033, and acquired pursuant to a written binding contract entered into before May 12, 2025.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to vehicles acquired after December 31, 2025.

SEC. 112004. TERMINATION OF ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT.

(a) IN GENERAL.—Section 30C(i) is amended by striking "December 31, 2032" and inserting "December 31, 2025".

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

SEC. 112005. TERMINATION OF ENERGY EFFICIENT HOME IMPROVEMENT CREDIT.

(a) IN GENERAL.—Section 25C(i) is amended to read as follows:

"(i) TERMINATION.—This section shall not apply with respect to any property placed in service after December 31, 2025.".

(b) CONFORMING AMENDMENTS.—

(1) Section 25C(d)(2)(C) is amended to read as follows:

"(C) Any oil furnace or hot water boiler which is placed in service before January 1, 2026, and—

"(i) meets or exceeds 2021 Energy Star efficiency criteria, and

"(ii) is rated by the manufacturer for use with fuel blends at least 20 percent of the volume of which consists of an eligible fuel.".

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

SEC. 112006. TERMINATION OF RESIDENTIAL CLEAN ENERGY CREDIT.

(a) IN GENERAL.—Section 25D(h) is amended by striking "December 31, 2034" and inserting "December 31, 2025".

(b) CONFORMING AMENDMENTS.—Section 25D(g) is amended—

(1) in paragraph (2), by inserting "and" after the comma at the end,

(2) in paragraph (3), by striking "January 1, 2033, 30 percent," and inserting "January 1, 2026, 30 percent.", and

(3) by striking paragraphs (4) and (5).

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

SEC. 112007. TERMINATION OF NEW ENERGY EFFICIENT HOME CREDIT.

(a) IN GENERAL.—Section 45L(h) is amended to read as follows:

"(h) TERMINATION.—This section shall not apply to any qualified new energy efficient home acquired after December 31, 2025 (December 31, 2026, in the case of any home for which construction began before May 12, 2025).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to homes acquired after December 31, 2025.

SEC. 112008. PHASE-OUT AND RESTRICTIONS ON CLEAN ELECTRICITY PRODUCTION CREDIT.

(a) PHASE-OUT.—Section 45Y(d) is amended—

(1) in paragraph (1), in the matter preceding subparagraph (A), by striking "the construction of which begins during a calendar year described in paragraph (2)" and inserting "which is placed in service after December 31, 2028,", and

(2) by striking paragraphs (2) and (3) and inserting the following new paragraph:

"(2) PHASE-OUT PERCENTAGE.—The phase-out percentage under this paragraph is equal to—

"(A) for a facility placed in service during calendar year 2029, 80 percent,

"(B) for a facility placed in service during calendar year 2030, 60 percent,

"(C) for a facility placed in service during calendar year 2031, 40 percent, and

"(D) for a facility placed in service after December 31, 2031, 0 percent.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 45Y is amended—

(1) in subsection (b)(1), by adding at the end the following new subparagraph:

"(E) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—The term 'qualified facility' shall not include any facility for which construction begins after the date that is one year after the date of the enactment of this subparagraph if the construction of such facility includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)).", and

(2) in subsection (g), by adding at the end the following new paragraph:

"(13) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date

which is 2 years after the date of enactment of this paragraph if—

"(i) the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)), or

"(ii) during such taxable year, the taxpayer—

"(I) makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount to a prohibited foreign entity (as defined in section 7701(a)(51)) in an amount which is equal to or greater than 5 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of electricity, or

"(II) makes payments described in subclause (I) to more than 1 prohibited foreign entity (as so defined) in an amount which, in the aggregate, is equal to or greater than 15 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of electricity.".

(c) REPEAL OF TRANSFERABILITY.—Section 6418(f)(1) is amended—

(1) in subparagraph (A), by striking clause (vii), and

(2) in subparagraph (B), by striking "(v), or (vii)" and inserting "or (v)".

(d) DEFINITIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 7701(a) is amended by adding at the end the following new paragraphs:

"(51) PROHIBITED FOREIGN ENTITY.—

"(A) IN GENERAL.—The term 'prohibited foreign entity' means a specified foreign entity or a foreign-influenced entity.

"(B) SPECIFIED FOREIGN ENTITY.—For purposes of subparagraph (A), the term 'specified foreign entity' means—

"(i) a foreign entity of concern described in subparagraph (A), (B), (D), or (E) of section 9901(8) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283; 15 U.S.C. 4651),

"(ii) an entity identified as a Chinese military company operating in the United States in accordance with section 1260H of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283; 10 U.S.C. 113 note),

"(iii) an entity included on a list required by clause (i), (ii), (iv), or (v) of section 2(d)(2)(B) of Public Law 117–78 (135 Stat. 1527),

"(iv) an entity specified under section 154(b) of the National Defense Authorization Act for Fiscal Year 2024 (Public Law 118–31; 10 U.S.C. note prec. 4651), or

"(v) a foreign-controlled entity.

"(C) FOREIGN-CONTROLLED ENTITY.—For purposes of subparagraph (B), the term 'foreign-controlled entity' means—

"(i) the government of a covered nation (as defined in section 4872(f)(2) of title 10, United States Code),

"(ii) a person who is a citizen, national, or resident of a covered nation, provided that such person is not an individual who is a citizen or lawful permanent resident of the United States,

"(iii) an entity or a qualified business unit (as defined in section 989(a)) incorporated or organized under the laws of, or having its principal place of business in, a covered nation, or

"(iv) an entity (including subsidiary entities) controlled (as determined under subparagraph (F)) by an entity described in clause (i), (ii), or (iii).

"(D) FOREIGN-INFLUENCED ENTITY.—For purposes of subparagraph (A), the term 'foreign-influenced entity' means an entity—

"(i) with respect to which, during the taxable year—

"(I) a specified foreign entity has the direct or indirect authority to appoint a covered officer of such entity,

"(II) a single specified foreign entity owns at least 10 percent of such entity,

"(III) one or more specified foreign entities own in the aggregate at least 25 percent of such entity, or

"(IV) at least 25 percent of the debt of such entity is held in the aggregate by one or more specified foreign entities, or

"(ii) which, during the previous taxable year—

"(I) makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount to a specified foreign entity in an amount which is equal to or greater than 10 percent of the total of such payments made by such entity during such taxable year, or

"(II) makes payments described in subclause (I) to more than 1 specified foreign entity in an amount which, in the aggregate, is equal to or greater than 25 percent of the total of such payments made by such entity during such taxable year.

Clause (ii) shall not apply unless such entity makes such payments knowingly (or has reason to know).

"(E) COVERED OFFICER.—For purposes of this paragraph, the term 'covered officer' means, with respect to an entity—

"(i) a member of the board of directors, board of supervisors, or equivalent governing body,

"(ii) an executive-level officer, including the president, chief executive officer, chief operating officer,

chief financial officer, general counsel, or senior vice president, or

"(iii) an individual having powers or responsibilities similar to those of officers or members described in clause (i) or (ii).

"(F) DETERMINATION OF CONTROL.—For purposes of subparagraph (C)(iv), the term 'control' means—

"(i) in the case of a corporation, ownership (by vote or value) of more than 50 percent of the stock in such corporation,

"(ii) in the case of a partnership, ownership of more than 50 percent of the profits interests or capital interests in such partnership, or

"(iii) in any other case, ownership of more than 50 percent of the beneficial interests in the entity.

"(G) DETERMINATION OF OWNERSHIP.—For purposes of this section, section 318 (relating to constructive ownership of stock) shall apply for purposes of determining ownership of stock in a corporation. Similar principles shall apply for purposes of determining ownership of interests in any other entity.

"(H) REGULATIONS AND GUIDANCE.—The Secretary may prescribe such regulations and guidance as may be necessary or appropriate to carry out the provisions of this paragraph.

"(52) MATERIAL ASSISTANCE FROM A PROHIBITED FOREIGN ENTITY.—

"(A) IN GENERAL.—The term 'material assistance from a prohibited foreign entity' means, with respect to any property—

"(i) any component, subcomponent, or applicable critical mineral (as defined in section 45X(c)(6)) included in such property that is extracted, processed, recycled, manufactured, or assembled by a prohibited foreign entity, and

"(ii) any design of such property which is based on any copyright or patent held by a prohibited foreign entity or any know-how or trade secret provided by a prohibited foreign entity.

"(B) EXCLUSION.—

"(i) IN GENERAL.—The term 'material assistance from a prohibited foreign entity' shall not include any assembly part or constituent material, provided that such part or material is not acquired directly from a prohibited foreign entity.

"(ii) ASSEMBLY PART.—For purposes of this subparagraph, the term 'assembly part' means a subcomponent or collection of subcomponents which is—

"(I) not uniquely designed for use in the construction of a qualified facility described in section 45Y or 48E or an eligible component described in section 45X, and

"(II) not exclusively or predominantly produced by prohibited foreign entities.

"(iii) CONSTITUENT MATERIAL.—For purposes of this subparagraph, the term 'constituent material' means any material which is—

"(I) not uniquely formulated for use in a qualified facility described in section 45Y or 48E or an eligible component described in section 45X, and

"(II) not exclusively or predominantly produced, processed, or extracted by prohibited foreign entities.

"(iv) REGULATIONS AND GUIDANCE.—The Secretary may prescribe such regulations and guidance as may be necessary or appropriate to carry out the provisions of this paragraph.".

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

(2) OTHER PROVISIONS.—The amendment made by subsection (c) shall apply to facilities for which construction begins after the date that is 2 years after the date of enactment of this Act.

SEC. 112009. PHASE-OUT AND RESTRICTIONS ON CLEAN ELECTRICITY INVESTMENT CREDIT.

(a) PHASE-OUT.—Section 48E(e) is amended—

(1) in paragraph (1), in the matter preceding subparagraph (A), by striking "the construction of which begins during a calendar year described in paragraph (2)" and inserting "which is placed in service after December 31, 2028,", and

(2) by striking paragraphs (2) and (3) and inserting the following:

"(2) PHASE-OUT PERCENTAGE.—The phase-out percentage under this paragraph is equal to—

"(A) for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2029, 80 percent,

"(B) for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2030, 60 percent,

"(C) for any qualified investment with respect to any qualified facility or energy storage technology placed in service during calendar year 2031, 40 percent, and

"(D) for any qualified investment with respect to any qualified facility or energy storage technology placed in service after December 31, 2031, 0 percent.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

(1) IN GENERAL.—Section 48E is amended—

(A) in subsection (b)(3), by adding at the end the following new subparagraph:

"(D) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—The term 'qualified facility' shall not include any facility the construction of which begins after the date that is one year after the date of the enactment of this subparagraph if the construction of such facility includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)).", and

(B) in subsection (c), by adding at the end the following new paragraph:

"(3) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—The term 'energy storage technology' shall not include any property the construction of which begins after the date that is one year after the date of the enactment of this paragraph if the construction of such property includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)).".

(2) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 48E(d) is amended by adding at the end the following new paragraph:

"(6) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if—

"(i) the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)), or

"(ii) during such taxable year, the taxpayer—

"(I) makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount to a prohibited foreign entity (as defined in section 7701(a)(51)) in an amount which is equal to or greater than 5 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of electricity or storage of energy, or

"(II) makes payments described in subclause (I) to more than 1 prohibited foreign entity (as so defined) in an amount which, in the aggregate, is equal to or greater than 15 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of electricity or storage of energy.".

(3) RECAPTURE.—Section 50(a) is amended—

(A) by redesignating paragraphs (4) through (6) as paragraphs (5) through (7), respectively,

(B) by inserting after paragraph (3) the following new paragraph:

"(4) PAYMENTS TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—If there is an applicable payment made by a specified taxpayer before the close of the 10-year period beginning on the date such taxpayer placed in service investment credit property which is eligible for the

clean electricity investment credit under section 48E(a), then the tax under this chapter for the taxable year in which such applicable payment occurs shall be increased by 100 percent of the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted solely from reducing to zero any credit determined under section 46 which is attributable to the clean electricity investment credit under section 48E(a) with respect to such property.

"(B) APPLICABLE PAYMENT.—For purposes of this paragraph, the term 'applicable payment' means, with respect to any taxable year, a payment or payments described in subclause (I) or (II) of section 48E(d)(6)(B)(ii).

"(C) SPECIFIED TAXPAYER.—For purposes of this paragraph, the term 'specified taxpayer' means any taxpayer who has been allowed a credit under section 48E(a) for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph.",

(C) in paragraph (5), as redesignated by subparagraph (A), by striking "or any applicable transaction to which paragraph (3)(A) applies," and inserting "any applicable transaction to which paragraph (3)(A) applies, or any applicable payment to which paragraph (4)(A) applies,", and

(D) in paragraph (7), as redesignated by subparagraph (A), by striking "or (3)" and inserting "(3), or (4)".

(c) REPEAL OF TRANSFERABILITY.—Section 6418, as amended by section 112008, is amended—

(1) in subsection (f)(1)(A), by striking clause (xi), and

(2) in subsection (g)(3), by striking "clauses (ix) through (xi)" and inserting "clause (ix) or (x)".

(d) CONFORMING AMENDMENTS.—Section 48E(h)(4) is amended—

(1) in subparagraph (C), by striking "December 31 of the applicable year (as defined in section 45Y(d)(3))" and inserting "December 31, 2031",

(2) in subparagraph (D), by striking "the third calendar year following the applicable year (as defined in section 45Y(d)(3))" and inserting "2031", and

(3) in subparagraph (E)(i), by striking "after the date that is 4 years after the date of the allocation with respect to the facility of which such property is a part" and inserting "the earlier of—

"(I) the date that is 4 years after the date of the allocation with respect to the facility of which such property is a part, or

"(II) December 31, 2031.".

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

(2) OTHER PROVISIONS.—The amendments made by subsection (c) shall apply to facilities and energy storage technology for which construction begins after the date that is 2 years after the date of enactment of this Act.

SEC. 112010. REPEAL OF TRANSFERABILITY OF CLEAN FUEL PRODUCTION CREDIT.

(a) IN GENERAL.—Section 6418(f)(1)(A), as amended by sections 112008 and 112009, is amended by striking clause (viii).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to fuel produced after December 31, 2027.

SEC. 112011. RESTRICTIONS ON CARBON OXIDE SEQUESTRATION CREDIT.

(a) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 45Q(f) is amended by adding at the end the following new paragraph:

"(10) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).".

(b) REPEAL OF TRANSFERABILITY.—Section 6418(f)(1), as amended by sections 112008, 112009, and 112010, is amended—

(1) in subparagraph (A), by striking clause (iii), and

(2) in subparagraph (B)—

(A) in the matter preceding clause (i), by striking "clause (ii), (iii), or (v)" and inserting "clause (ii) or (v)", and

(B) in clause (ii), by striking "(or, in the case" and all that follows through "at such facility)".

(c) EFFECTIVE DATES.—

(1) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—The amendments made by subsection (a) shall apply to taxable years beginning after the date of enactment of this Act.

(2) REPEAL OF TRANSFERABILITY.—The amendments made by subsection (b) shall apply to carbon capture equipment the construction of which begins after the date that is 2 years after the date of enactment of this Act.

SEC. 112012. PHASE-OUT AND RESTRICTIONS ON ZERO-EMISSION NUCLEAR POWER PRODUCTION CREDIT.

(a) PHASE-OUT.—Section 45U(e) is amended to read as follows:

"(e) CREDIT PHASE-OUT.—

"(1) IN GENERAL.—For any taxable year beginning after December 31, 2028, the amount of the zero-emission nuclear power production credit under subsection (a) for such taxable year shall be equal to the product of—

"(A) the amount of the credit determined under subsection (a) without regard to this subsection, multiplied by

"(B) the phase-out percentage under paragraph (2).

"(2) PHASE-OUT PERCENTAGE.—The phase-out percentage under this paragraph is equal to—

"(A) for any taxable year beginning in calendar year 2029, 80 percent,

"(B) for any taxable year beginning in calendar year 2030, 60 percent,

"(C) for any taxable year beginning in calendar year 2031, 40 percent, and

"(D) for any taxable year beginning after December 31, 2031, 0 percent.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 45U(c) is amended by adding at the end the following new paragraph:

"(3) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).".

(c) REPEAL OF TRANSFERABILITY.—Section 6418(f)(1)(A), as amended by section 112008, 112009, 112010, and 112011, is amended by striking clause (iv).

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

(2) REPEAL OF TRANSFERABILITY.—The amendment made by subsection (c) shall apply to electricity produced and sold after December 31, 2027.

SEC. 112013. TERMINATION OF CLEAN HYDROGEN PRODUCTION CREDIT.

(a) TERMINATION.—Section 45V(c)(3)(C) is amended by striking "January 1, 2033" and inserting "January 1, 2026".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to facilities the construction of which begins after December 31, 2025.

SEC. 112014. PHASE-OUT AND RESTRICTIONS ON ADVANCED MANUFACTURING PRODUCTION CREDIT.

(a) PHASE-OUT.—Section 45X(b)(3) is amended—

(1) in subparagraph (B)—

(A) in clause (ii), by adding "and" at the end,

(B) in clause (iii), by striking "during calendar year 2032, 25 percent," and inserting "after December 31, 2031, 0 percent.", and

(C) by striking clause (iv), and

(2) by striking subparagraph (C) and inserting the following:

"(C) TERMINATION FOR WIND ENERGY COMPONENTS.—This section shall not apply to wind energy components sold after December 31, 2027.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 45X is amended—

(1) in subsection (c)(1), by adding at the end the following new subparagraph:

"(C) MATERIAL ASSISTANCE FROM PROHIBITED FOREIGN ENTITIES.—In the case of taxable years beginning after the date which is 2 years after the date of enactment of this subparagraph, the term 'eligible component' shall not include any property which—

"(i) includes any material assistance from a prohibited foreign entity (as defined in section 7701(a)(52)), or

"(ii) is produced subject to a licensing agreement with a prohibited foreign entity (as defined in section 7701(a)(51)) for which the value of such agreement is in excess of $1,000,000.", and

(2) in subsection (d), by adding at the end the following new paragraph:

"(5) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under subsection (a) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).

"(C) PAYMENTS TO PROHIBITED FOREIGN ENTITIES.—

"(i) IN GENERAL.—If, for any taxable year beginning after the date that is 2 years after the date of the enactment of this paragraph, a taxpayer is described in clause (ii) for such taxable year with respect to any eligible component category, no credit shall be determined under subsection (a) for eligible components in such eligible component category for such taxable year.

"(ii) TAXPAYER DESCRIBED.—A taxpayer is described in this clause for a taxable year with respect to any eligible component category if such taxpayer—

"(I) makes a payment of dividends, interest, compensation for services, rentals or royalties, guarantees or any other fixed, determinable, annual, or periodic amount to a prohibited foreign entity (as defined in section 7701(a)(51)) in an amount which is equal to or greater than 5 percent of the total of such payments made by such taxpayer during such taxable year which are related to the production of eligible components included within such eligible component category, or

"(II) makes payments described in subclause (I) to more than 1 prohibited foreign entity (as so defined) in an amount which, in the aggregate, is equal to or greater than 15 percent of such payments made by such taxpayer during such taxable year which are related to the production of eligible components included within such eligible component category.

"(iii) ELIGIBLE COMPONENT CATEGORY.—For purposes of this subparagraph, the term 'eligible component category' means eligible components which are included within each respective clause under subsection (c)(1)(A).".

(c) REPEAL OF TRANSFERABILITY.—Section 6418, as amended by sections 112008, 112009, 112010, 112011, and 112012 is amended—

(1) in subsection (f)(1)—

(A) in subparagraph (A)—

(i) by striking clause (vi), and

(ii) by redesignating clauses (v), (ix), and (x) as clauses (iii), (iv), and (v), respectively, and

(B) in subparagraph (B), by striking "clause (ii) or (v)" and inserting "clause (ii) or (iii)", and

(2) in subsection (g)(3), by striking "clause (ix) or (x)" and inserting "clause (iv) or (v)".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.

(2) REPEAL OF TRANSFERABILITY.—The amendments made by subsection (c) shall apply to components sold after December 31, 2027.

SEC. 112015. PHASE-OUT OF CREDIT FOR CERTAIN ENERGY PROPERTY.

(a) PHASE-OUT.—Section 48(a) is amended—

(1) in paragraph (3)(vii), by striking "the construction of which begins before January 1, 2035" and inserting "the construction of which begins before January 1, 2032", and

(2) by striking paragraph (7) and inserting the following new paragraph:

"(7) PHASE-OUT FOR CERTAIN ENERGY PROPERTY.—In the case of any energy property described in clause (vii) of paragraph (3)(A), the energy percentage determined under paragraph (2) shall be equal to—

"(A) in the case of any property the construction of which begins before January 1, 2030, and which is placed in service after December 31, 2021, 6 percent,

"(B) in the case of any property the construction of which begins after December 31, 2029, and before January 1, 2031, 5.2 percent, and

"(C) in the case of any property the construction of which begins after December 31, 2030, and before January 1, 2032, 4.4 percent.".

(b) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—Section 48(a) is amended by redesignating paragraph (16) as paragraph (17) and by inserting after paragraph (15) the following new paragraph:

"(16) RESTRICTIONS RELATING TO PROHIBITED FOREIGN ENTITIES.—

"(A) IN GENERAL.—No credit determined under this subsection for energy property described in paragraph (3)(A)(vii) shall be allowed under section 38 for any taxable year beginning after the date of enactment of this paragraph if the taxpayer is a specified foreign entity (as defined in section 7701(a)(51)(B)).

"(B) OTHER PROHIBITED FOREIGN ENTITIES.—No credit determined under this subsection for energy property described in paragraph (3)(A)(vii) shall be allowed under section 38 for any taxable year beginning after the date which is 2 years after the date of enactment of this paragraph if the taxpayer is a foreign-influenced entity (as defined in section 7701(a)(51)(D)).".

(c) REPEAL OF TRANSFERABILITY.—Section 6418(f)(1)(A)(iv), as redesignated by section 112014, is amended by inserting "(except so much of the credit as is determined under paragraph (3)(A)(vii) of such section)" after "section 48".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) REPEAL OF TRANSFERABILITY.—The amendments made by subsection (c) shall apply to property the construction of which begins after the date that is 2 years after the date of enactment of this Act.

SEC. 112016. INCOME FROM HYDROGEN STORAGE, CARBON CAPTURE ADDED TO QUALIFYING INCOME OF CERTAIN PUBLICLY TRADED PARTNERSHIPS TREATED AS CORPORATIONS.

(a) IN GENERAL.—Section 7704(d)(1)(E) is amended—

(1) by striking "income and gains derived from the exploration" and inserting "income and gains derived from—

"(i) the exploration",

(2) by inserting "or" before "industrial source", and

(3) by striking ", or the transportation or storage" and all that follows and inserting the following:

"(ii) the transportation or storage of—

"(I) any fuel described in subsection (b), (c), (d), (e), or (k) of section 6426, or any alcohol fuel defined in section 6426(b)(4)(A) or any biodiesel fuel as defined in section 40A(d)(1) or sustainable aviation fuel as defined in section 40B(d)(1), or

"(II) liquified hydrogen or compressed hydrogen, or

"(iii) in the case of a qualified facility (as defined in section 45Q(d), without regard to any date by which construction of the facility is required to begin) not less than 50 percent of the total carbon oxide produc-

tion of which is qualified carbon oxide (as defined in section 45Q(c))—

"(I) the generation, availability for such generation, or storage of electric power at such facility, or

"(II) the capture of carbon dioxide by such facility,".

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

SEC. 112017. LIMITATION ON AMORTIZATION OF CERTAIN SPORTS FRANCHISES.

(a) IN GENERAL.—Section 197 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

"(g) LIMITATION ON AMORTIZATION OF CERTAIN SPORTS FRANCHISES.—

"(1) IN GENERAL.—In the case of a specified sports franchise intangible, subsection (a) shall be applied by substituting '50 percent of the adjusted basis' for 'the adjusted basis'.

"(2) SPECIFIED SPORTS FRANCHISE INTANGIBLE.—For purposes of this subsection, the term 'specified sports franchise intangible' means any amortizable section 197 intangible which is—

"(A) a franchise to engage in professional football, basketball, baseball, hockey, soccer, or other professional sport, or

"(B) acquired in connection with such a franchise.".

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

SEC. 112018. LIMITATION ON INDIVIDUAL DEDUCTIONS FOR CERTAIN STATE AND LOCAL TAXES, ETC.

(a) IN GENERAL.—Section 275 is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

"(b) LIMITATION ON INDIVIDUAL DEDUCTIONS FOR CERTAIN STATE AND LOCAL TAXES, ETC.—

"(1) LIMITATION.—

"(A) IN GENERAL.—In the case of an individual, no deduction shall be allowed for—

"(i) any disallowed foreign real property taxes, and

"(ii) any specified taxes to the extent that such taxes for such taxable year in the aggregate exceed—

"(I) $15,000, in the case of a married individual filing a separate return, and

"(II) $30,000, in the case of any other taxpayer.

"(B) PHASEDOWN BASED ON MODFIED ADJUSTED GROSS INCOME.—

"(i) IN GENERAL.—Except as provided in clause (ii), the $15,000 amount in subparagraph (A)(ii)(I) and the $30,000 amount in subparagraph (A)(ii)(II) shall each be reduced by 20 percent of the excess (if any) of the taxpayer's modified adjusted gross income over—

"(I) $200,000, in the case of a married individual filing a separate return, and

"(II) $400,000, in the case of any other taxpayer.

"(ii) LIMITATION ON REDUCTION.—The reduction under clause (i) shall not result in—

"(I) the dollar amount in effect under subparagraph (A)(ii)(I) being less than $5,000, or

"(II) the dollar amount in effect under subparagraph (A)(ii)(II) being less than $10,000.

"(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross income' means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

"(2) DISALLOWED FOREIGN REAL PROPERTY TAX.—For purposes of this subsection, the term 'disallowed foreign real property tax' means any tax which—

"(A) is a foreign real property tax described in section 164(a)(1) or 216(a)(1), and

"(B) is not an excepted tax.

"(3) SPECIFIED TAX.—For purposes of this subsection, the term 'specified tax' means—

"(A) any tax which—

"(i) is described in paragraph (1), (2), or (3) of section 164(a), section 164(b)(5), or section 216(a)(1), and

"(ii) is not an excepted tax or a disallowed foreign real property tax, and

"(B) any substitute payment.

"(4) EXCEPTED TAX.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'excepted tax' means—

"(i) any foreign tax described in section 164(a)(3),

"(ii) any tax described in section 164(a)(3) which is paid or accrued by a qualifying entity with respect to carrying on a qualified trade or business (as defined in section 199A(d), without regard to section 199A(b)(3)), and

"(iii) any tax described in paragraph (1) or (2) of section 164(a), or section 216(a)(1), which is paid or accrued in carrying on a trade or business or an activity described in section 212.

"(B) QUALIFYING ENTITY.—For purposes of subparagraph (A), the term 'qualifying entity' means any partnership or S corporation with gross receipts for the taxable year (within the meaning of section 448(c)) if at least 75 percent of such gross receipts are derived in a qualified trade or business (as defined in section 199A(d), without regard to section 199A(b)(3)). For purposes of the preceding sentence, the gross receipts of all trades or businesses which are under common control (within the meaning of section 52(b)) with any trade or business of the partnership or S corporation shall be taken into account as gross receipts of the entity.

"(5) SUBSTITUTE PAYMENT.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'substitute payment' means any amount (other than a tax described in paragraph

(3)(A)) paid, incurred, or accrued to any entity referred to in section 164(b)(2) if, under the laws of one or more entities referred to in section 164(b)(2), one or more persons would (if the assumptions described in subparagraphs (B) and (C) applied) be entitled to specified tax benefits the aggregate dollar value of which equals or exceeds 25 percent of such amount.

"(B) ASSUMPTION REGARDING DOLLAR VALUE OF TAX BENEFITS.—The assumption described in this subparagraph is that the dollar value of a specified tax benefit is—

"(i) in the case of a credit or refund, the amount of such credit or refund,

"(ii) in the case of a deduction or exclusion, 15 percent of the amount of such deduction or exclusion, and

"(iii) in any other case, an amount determined in such manner as the Secretary may provide consistent with the principles of clauses (i) and (ii).

"(C) ASSUMPTION REGARDING STATUS OF PARTNERS OR SHAREHOLDERS.—The assumption described in this subparagraph is, in the case of any amount referred to in subparagraph (A) which is paid, incurred, or accrued by a partnership or S corporation, that all of the partners or shareholders of such partnership or S corporation, respectively, are individuals who are residents of the jurisdiction of the entity or entities providing the specified tax benefits (and possess such other characteristics as the laws of such entities may require for entitlement to such benefits).

"(D) SPECIFIED TAX BENEFIT.—For purposes of subparagraph (A), the term 'specified tax benefit' means any benefit which—

"(i) is determined with respect to the amount referred to in subparagraph (A), and

"(ii) is allowed against, or determined by reference to, a tax described in paragraph (3)(A).

"(E) EXCEPTION FOR NON-DEDUCTIBLE PAYMENTS.—To the extent that a deduction for an amount described in subparagraph (A) is not allowed under this chapter (determined without regard to this subsection, section 170(b)(1), section 703(a), section 704(d), and section 1363(b)), the term 'substitute payment' shall not include such amount.

"(F) EXCEPTION FOR CERTAIN WITHHOLDING TAXES.—To the extent provided in regulations issued by the Secretary, the term 'substitute payment' shall not include an amount withheld on behalf of another person if all of such amount is included in the gross income of such person (determined under this chapter).

"(6) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance—

"(A) to treat as a tax described in paragraph (3) of section 164(a) any tax that is, in substance, based on general tax principles, described in such paragraph,

"(B) to treat as a substitute payment any amount that, in substance, substitutes for a specified tax,

"(C) to provide for the proper allocation, for purposes of paragraph (4)(A)(ii), of taxes described in section 164(a)(3) between trades or business described in section 199A(d)(1) and trades or business not so described, and

"(D) to otherwise prevent the avoidance of the purposes of this subsection.".

(b) STATE AND LOCAL INCOME TAXES PAID BY PARTNERSHIPS AND S CORPORATIONS TAKEN INTO ACCOUNT SEPARATELY BY PARTNERS AND SHAREHOLDERS.—

(1) IN GENERAL.—Section 702(a)(6) is amended to read as follows:

"(6)(A) taxes, described in section 901, paid or accrued to foreign countries,

"(B) taxes, described in section 901, paid or accrued to possessions of the United States,

"(C) specified taxes (within the meaning of section 275(b)), other than taxes described in subparagraph (B), and

"(D) taxes described in section 275(b)(2),".

(2) TREATMENT OF SUBSTITUTE PAYMENTS.—Section 702 is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

"(d) TREATMENT OF SUBSTITUTE PAYMENTS.—Any substitute payment (as defined in section 275(b)(5)) shall be taken into account under subsection (a)(6)(C) and not under any other paragraph of subsection (a).".

(3) DISALLOWANCE OF DEDUCTION TO PARTNERSHIPS.—Section 703(a)(2)(B) is amended to read as follows:

"(B) any deduction under this chapter with respect to taxes or payments described in section 702(a)(6),".

(4) S CORPORATIONS.—For corresponding provisions related to S corporations which apply by reason of the amendments made by paragraphs (1) through (3), see sections 1366(a)(1) and 1363(b)(2) of the Internal Revenue Code of 1986.

(5) ALLOWABLE SALT DEDUCTIONS TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITATION ON PARTNERSHIP LOSSES.—Section 704(d)(3) is amended by striking subparagraph (A), by redesignating subparagraph (B) as subparagraph (C), and by inserting before subparagraph (C) (as so redesignated) the following new subparagraphs:

"(A) IN GENERAL.—In determining the amount of any loss under paragraph (1), there shall be taken into account—

"(i) the partner's distributive share of amounts described in paragraphs (4) and (6)(A) of section 702(a),

"(ii) if the taxpayer chooses to take to any extent the benefits of section 901, the partner's distributive share of amounts described in section 702(a)(6)(B), and

"(iii) the amount by which the deductions allowed under this chapter (determined without regard to this subsection) to the partner would decrease if the partner's distributive share of amounts described in section 702(a)(6)(C) were not taken into account.

"(B) TREATMENT OF POSSESSION TAXES IN EVENT PARTNER DOES NOT ELECT THE FOREIGN TAX CREDIT.—In the case of a taxpayer not described in subparagraph (A)(ii), subparagraph (A)(iii) shall be applied by substituting 'subparagraphs (B) and (C) of section 702(a)(6)' for 'section 702(a)(6)(C)'.".

(6) CONFORMING AMENDMENT.—Section 56(b)(1)(A)(ii) is amended by inserting "or for any substitute payment (as defined in section 275(b)(5))" before the period at the end.

(c) ADDITION TO TAX FOR STATE AND LOCAL TAX ALLOCATION MISMATCH.—

(1) IN GENERAL.—Part I of subchapter A of chapter 68 is amended by adding at the end the following new section:

"SEC. 6659. STATE AND LOCAL TAX ALLOCATION MISMATCH.

"(a) IN GENERAL.—In the case of any covered individual, there shall be added to the tax imposed under section 1 for the taxable year an amount equal to the product of—

"(1) the highest rate of tax in effect under such section for such taxable year, multiplied by

"(2) the sum of the State and local tax allocation mismatches for such taxable year with respect to each partnership specified tax payment with respect to which such individual is a covered individual.

"(b) COVERED INDIVIDUAL.—For purposes of this section, the term 'covered individual' means, with respect to any partnership specified tax payment, any individual (or estate or trust) who—

"(1) is entitled (directly or indirectly) to one or more specified tax benefits with respect to such payment, and

"(2) takes into account (directly or indirectly) any item of income, gain, deduction, loss, or credit of the partnership which made such payment.

"(c) STATE AND LOCAL TAX ALLOCATION MISMATCH.—For purposes of this section—

"(1) IN GENERAL.—The term 'State and local tax allocation mismatch' means, with respect to any partnership specified tax payment, the excess (if any) of—

"(A) the aggregate dollar value of the specified tax benefits of the covered individual with respect to such payment, over

"(B) the amount of such payment taken into account by such individual under section 702(a) (without regard to sections 275(b) and 704(d)).

"(2) TAXABLE YEAR OF INDIVIDUAL IN WHICH MISMATCH TAKEN INTO ACCOUNT.—In the case of any partnership specified tax payment paid, incurred, or accrued in any taxable year of the partnership, the State and local tax allocation mismatch determined under paragraph (1) with respect to such payment shall be taken into account under subsection (a) by the covered individual for the taxable year of such individual in which such individual takes into account the items referred to in subsection (b)(2) which are determined with respect to such partnership taxable year.

"(d) DETERMINATION OF DOLLAR VALUE OF SPECIFIED TAX BENEFITS.—

"(1) IN GENERAL.—Except in the case of a covered individual who elects the application of paragraph (3) for any taxable year, the dollar value of any specified tax benefit shall be the sum of—

"(A) the aggregate increase in tax liability (and reduction in credit or refund) for taxes described in section 275(b)(3)(A) for the taxable year and all prior taxable years that would result if such specified tax benefit were not taken into account with respect to such taxes, plus

"(B) the deemed value of any carryforward of such specified tax benefit (including any tax attribute derived from such benefit) to any subsequent taxable year.

"(2) DEEMED VALUE OF CARRYFORWARDS.—For purposes of paragraph (1), the deemed value of any carryforward is—

"(A) in the case of a credit or refund, the amount of such credit or refund,

"(B) in the case of a deduction or exclusion, the product of—

"(i) the highest rate of tax which may be imposed on individuals under the tax referred to in subsection (e)(3)(B) with respect to the specified tax benefit, multiplied by

"(ii) the amount of such deduction or exclusion, and

"(C) in any other case, an amount determined in such manner as the Secretary may provide consistent with the principles of subparagraphs (A) and (B).

"(3) ELECTION OF SIMPLIFIED METHOD.—In the case of a covered individual who elects the application of this paragraph for any taxable year, the dollar value of any specified tax benefit shall be determined under the assumptions described in section 275(b)(5)(B).

"(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) PARTNERSHIP SPECIFIED TAX PAYMENT.—The term 'partnership specified tax payment' means any specified tax paid, incurred, or accrued by a partnership.

"(2) SPECIFIED TAX.—The term 'specified tax' has the meaning given such term by section 275(b)(3).

"(3) SPECIFIED TAX BENEFIT.—The term 'specified tax benefit' means any benefit which—

"(A) is determined with respect to a partnership specified tax payment, and

"(B) is allowed against, or determined by reference to, a tax described in section 275(b)(3)(A).

"(f) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance preventing avoidance of the addition to tax prescribed by this section through partnership allocations that achieve similar tax reductions as a State and local tax allocation mismatch.".

(2) CLERICAL AMENDMENT.—The table of sections for part I of subchapter A of chapter 68 is amended by adding at the end the following new item:

"Sec. 6659. State and local tax allocation mismatch.".

(d) LIMITATION ON CAPITALIZATION OF SPECIFIED TAXES.—Section 275, as amended by the preceding provisions of this section, is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) LIMITATIONS ON CAPITALIZATION OF SPECIFIED TAXES.—Notwithstanding any other provision of this chapter, in the case of an individual, specified taxes (as defined in subsection (b)) shall not be treated as chargeable to capital account.".

(e) REPORTING BY PARTNERSHIPS AND S CORPORATIONS WITH RESPECT TO SPECIFIED SERVICE TRADE OR BUSINESS INCOME.—

(1) PARTNERSHIPS.—Section 6031 is amended by adding at the end the following new subsection:

"(g) SPECIFIED SERVICE TRADE OR BUSINESS INCOME.—Returns required under subsection (a), and copies required to be furnished under subsection (b), shall include a statement of whether or not the partnership had any gross receipts (within the meaning of section 448(c)) from a trade or business described in subsection 199A(d)(2).".

(2) S CORPORATIONS.—Section 6037 is amended by adding at the end the following new subsection:

"(d) SPECIFIED SERVICE TRADE OR BUSINESS INCOME.—Returns required under subsection (a), and copies required to be furnished under subsection (b), shall include a statement of whether or not the S corporation had any gross receipts (within the meaning of section 448(c)) from a trade or business described in subsection 199A(d)(2).".

(f) CONFORMING AMENDMENT.—Section 164(b) is amended by striking paragraph (6).

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

SEC. 112019. EXCESSIVE EMPLOYEE REMUNERATION FROM CONTROLLED GROUP MEMBERS AND ALLOCATION OF DEDUCTION.

(a) APPLICATION OF AGGREGATION RULES.—Section 162(m) is amended by adding at the end the following new paragraph:

"(7) REMUNERATION FROM CONTROLLED GROUP MEMBERS.—

"(A) IN GENERAL.—In the case of any publicly held corporation which is a member of a controlled group—

"(i) paragraph (1) shall be applied by substituting 'specified covered employee' for 'covered employee', and

"(ii) if any person which is a member of such controlled group (other than such publicly held corporation) provides applicable employee remuneration to an individual who is a specified covered employee of such controlled group and the aggregate amount described in subparagraph (B)(ii) with respect to such specified covered employee exceeds $1,000,000—

"(I) paragraph (1) shall apply to such person with respect to such remuneration, and

"(II) paragraph (1) shall apply to such publicly held corporation and to each such related person by substituting 'the allocable limitation amount' for '$1,000,000'.

"(B) ALLOCABLE LIMITATION AMOUNT.—For purposes of this paragraph, the term 'allocable limitation amount' means, with respect to any member of the controlled group referred to in subparagraph (A) with respect to any specified covered employee of such controlled group, the amount which bears the same ratio to $1,000,000 as—

"(i) the amount of applicable employee remuneration provided by such member with respect to such specified covered employee, bears to

"(ii) the aggregate amount of applicable employee remuneration provided by all such members with respect to such specified covered employee.

"(C) SPECIFIED COVERED EMPLOYEE.—For purposes of this paragraph, the term 'specified covered employee' means, with respect to any controlled group—

"(i) any employee described in subparagraph (A), (B), or (D) of paragraph (3), with respect to the publicly held corporation which is a member of such controlled group, and

"(ii) any employee who would be described in subparagraph (C) of paragraph (3) if such subparagraph were applied by taking into account the employees of all members of the controlled group.

"(D) CONTROLLED GROUP.—For purposes of this paragraph, the term 'controlled group' means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414.".

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

SEC. 112020. EXPANDING APPLICATION OF TAX ON EXCESS COMPENSATION WITHIN TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Section 4960(c)(2) is amended to read as follows:

"(2) COVERED EMPLOYEE.—For purposes of this section, the term 'covered employee' means any employee (including any former employee) of an applicable tax-exempt organization or any related person or governmental entity.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2025.

SEC. 112021. MODIFICATION OF EXCISE TAX ON INVESTMENT INCOME OF CERTAIN PRIVATE COLLEGES AND UNIVERSITIES.

(a) IN GENERAL.—Section 4968 is amended to read as follows:

"SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.

"(a) TAX IMPOSED.—There is hereby imposed on each applicable educational institution for the taxable year a tax equal to the applicable percentage of the net investment income of such institution for the taxable year.

"(b) APPLICABLE PERCENTAGE.—For purposes of this section, the term 'applicable percentage' means—

"(1) 1.4 percent in the case of an institution with a student adjusted endowment in excess of $500,000, and not in excess of $750,000,

"(2) 7 percent in the case of an institution with a student adjusted endowment in excess of $750,000, and not in excess of $1,250,000,

"(3) 14 percent in the case of an institution with a student adjusted endowment in excess of $1,250,000, and not in excess of $2,000,000, and

"(4) 21 percent in the case of an institution with a student adjusted endowment in excess of $2,000,000.

"(c) APPLICABLE EDUCATIONAL INSTITUTION.—For purposes of this subchapter—

"(1) IN GENERAL.—The term 'applicable educational institution' means an eligible educational institution (as defined in section 25A(f)(2))—

"(A) which had at least 500 tuition-paying students during the preceding taxable year,

"(B) more than 50 percent of the tuition-paying students of which are located in the United States,

"(C) which is not—

"(i) described in the first sentence of section 511(a)(2)(B) (relating to State colleges and universities), or

"(ii) a qualified religious institution, and

"(D) the student adjusted endowment of which is at least $500,000.

"(2) QUALIFIED RELIGIOUS INSTITUTION.—For purposes of this subsection, the term 'qualified religious institution' means any institution—

"(A) established after July 4, 1776,

"(B) that was established by or in association with and has continuously maintained an affiliation with an organization described in section 170(b)(1)(A)(i), and

"(C) which maintains a published institutional mission that is approved by the governing body of such institution and that includes, refers to, or is predicated upon religious tenets, beliefs, or teachings.

"(d) STUDENT ADJUSTED ENDOWMENT.—For purposes of this section—

"(1) IN GENERAL.—The term 'student adjusted endowment' means, with respect to any institution for any taxable year—

"(A) the aggregate fair market value of the assets of such institution (determined as of the end of the preceding taxable year), other than those assets which are used directly in carrying out the institution's exempt purpose, divided by

"(B) the number of eligible students of such institution.

"(2) ELIGIBLE STUDENT.—For purposes of this subsection, the term 'eligible student' means a student of the institution that meets the student eligibility requirements under section 484(a)(5) of the Higher Education Act of 1965.

"(e) DETERMINATION OF NUMBER OF STUDENTS.—For purposes of subsections (c)(1) and (d), the number of students of an institution (including for purposes of determining the number of students at a particular location) shall be based on the daily average number

of full-time students attending such institution (with part-time students taken into account on a full-time student equivalent basis).

"(f) NET INVESTMENT INCOME.—For purposes of this section—

"(1) IN GENERAL.—Net investment income shall be determined under rules similar to the rules of section 4940(c).

"(2) OVERRIDE OF CERTAIN REGULATORY EXCEPTIONS.—

"(A) STUDENT LOAN INTEREST.—Net investment income shall be determined by taking into account any interest income from a student loan made by the applicable educational institution (or any related organization) as gross investment income.

"(B) FEDERALLY-SUBSIDIZED ROYALTY INCOME.—

"(i) IN GENERAL.—Net investment income shall be determined by taking into account any Federally-subsidized royalty income as gross investment income.

"(ii) FEDERALLY-SUBSIDIZED ROYALTY INCOME.—For purposes of this subparagraph—

"(I) IN GENERAL.—The term 'Federally-subsidized royalty income' means any otherwise-regulatory-exempt royalty income if any Federal funds were used in the research, development, or creation of the patent, copyright, or other intellectual or intangible property from which such royalty income is derived.

"(II) OTHERWISE-REGULATORY-EXEMPT ROYALTY INCOME.—For purposes of this subparagraph, the term 'otherwise-regulatory-exempt royalty income' means royalty income which (but for this subparagraph) would not be taken into account as gross investment income by reason of being derived from patents, copyrights, or other intellectual or intangible property which resulted from the work of students or faculty members in their capacities as such with the applicable educational institution.

"(III) FEDERAL FUNDS.—The term 'Federal funds' includes any grant made by, and any payment made under any contract with, any Federal agency to the applicable educational institution, any related organization, or any student or faculty member referred to in subclause (II).

"(g) ASSETS AND NET INVSTEMENT INCOME OF RELATED ORGANIZATIONS.—

"(1) IN GENERAL.—For purposes of subsections (d) and (f), assets and net investment income of any related organization with respect to an educational institution shall be treated as assets and net investment income, respectively, of the educational institution, except that—

"(A) no such amount shall be taken into account with respect to more than 1 educational institution, and

"(B) unless such organization is controlled by such institution or is described in section 509(a)(3) with respect to such institution for the taxable year, assets and net investment income which are not intended or available for the

use or benefit of the educational institution shall not be taken into account.

"(2) RELATED ORGANIZATION.—For purposes of this subsection, the term 'related organization' means, with respect to an educational institution, any organization which—

"(A) controls, or is controlled by, such institution,

"(B) is controlled by 1 or more persons which also control such institution, or

"(C) is a supported organization (as defined in section 509(f)(3)), or an organization described in section 509(a)(3), during the taxable year with respect to such institution.

"(h) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary to prevent avoidance of the tax under this section, including regulations or other guidance to prevent avoidance of such tax through the restructuring of endowment funds or other arrangements designed to reduce or eliminate the value of net investment income or assets subject to the tax imposed by this section.".

(b) REQUIREMENT TO REPORT CERTAIN INFORMATION WITH RESPECT TO APPLICATION OF EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.—Section 6033 is amended by redesignating subsection (o) as subsection (p) and by inserting after subsection (n) the following new subsection:

"(o) REQUIREMENT TO REPORT CERTAIN INFORMATION WITH RESPECT TO EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.—Each applicable educational institution described in section 4968(c) which is subject to the requirements of subsection (a) shall include on the return required under subsection (a)—

"(1) the number of eligible students taken into account under section 4968(c)(1)(D), and

"(2) the number of students of such institution (determined after application of section 4968(e)).".

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

SEC. 112022. INCREASE IN RATE OF TAX ON NET INVESTMENT INCOME OF CERTAIN PRIVATE FOUNDATIONS.

(a) IN GENERAL.—Section 4940(a) is amended by striking "1.39 percent" and inserting "the applicable percentage".

(b) APPLICABLE PERCENTAGE.—Section 4940(a) is amended—

(1) by striking "There is hereby" and inserting the following:

"(1) IMPOSITION OF TAX.—There is hereby", and

(2) by adding at the end the following new paragraphs:

"(2) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term 'applicable percentage' means, with respect to any taxable year—

"(A) in the case of a private foundation with assets of less than $50,000,000, 1.39 percent,

"(B) in the case of a private foundation with assets of at least $50,000,000, and less than $250,000,000, 2.78 percent,

"(C) in the case of a private foundation with assets of at least $250,000,000, and less than $5,000,000,000, 5 percent, and

"(D) in the case of a private foundation with assets of at least $5,000,000,000, 10 percent.

"(3) ASSETS.—For purposes of this subsection, the assets of any private foundation shall be determined with respect to any taxable year as being the aggregate fair market value of all assets of such private foundation, as determined as of the close of such taxable year. The preceding sentence shall be applied without reduction for any liabilities.

"(4) AGGREGATION.—

"(A) IN GENERAL.—For purposes of paragraphs (2) and (3), assets of any related organization with respect to a private foundation shall be treated as assets of the private foundation, except that—

"(i) no such assets shall be taken into account with respect to more than 1 private foundation, and

"(ii) unless such organization is controlled by such private foundation, assets which are not intended or available for the use or benefit of the private foundation shall not be taken into account.

"(B) RELATED ORGANIZATION.—For purposes of this paragraph, the term 'related organization' means, with respect to a private foundation, any organization which—

"(i) controls, or is controlled by, such private foundation, or

"(ii) is controlled by 1 or more persons which also control such private foundation.".

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

SEC. 112023. CERTAIN PURCHASES OF EMPLOYEE-OWNED STOCK DISREGARDED FOR PURPOSES OF FOUNDATION TAX ON EXCESS BUSINESS HOLDINGS.

(a) IN GENERAL.—Section 4943(c)(4)(A) is amended by adding at the end the following new clauses:

"(v) For purposes of clause (i), subparagraph (D), and paragraph (2), any voting stock which—

"(I) is not readily tradable on an established securities market,

"(II) is purchased by the business enterprise on or after January 1, 2020, from an employee stock ownership plan (as defined in section 4975(e)(7)) in which employees of such business enterprise participate, in connection with a distribution from such plan, and

"(III) is held by the business enterprise as treasury stock, cancelled, or retired,

shall be treated as outstanding voting stock, but only to the extent so treating such stock would not result in permitted holdings exceeding 49 percent (determined without regard to this clause). The preceding sentence shall not apply with respect to the purchase of stock from a plan during the 10-year period beginning on the date the plan is established.

"(vi) Section 4943(c)(4)(A)(ii) shall not apply with respect to any decrease in the percentage of holdings in a business enterprise by reason of the application of clause (v).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending after the date of the enactment of this Act and to purchases by a business enterprise of voting stock in taxable years beginning after December 31, 2019.

SEC. 112024. UNRELATED BUSINESS TAXABLE INCOME INCREASED BY AMOUNT OF CERTAIN FRINGE BENEFIT EXPENSES FOR WHICH DEDUCTION IS DISALLOWED.

(a) IN GENERAL.—Section 512(a) is amended by adding at the end the following new paragraph:

"(7) INCREASE IN UNRELATED BUSINESS TAXABLE INCOME BY DISALLOWED FRINGE.—

"(A) IN GENERAL.—Unrelated business taxable income of an organization shall be increased by any amount—

"(i) which is paid or incurred by such organization for any qualified transportation fringe (as defined in section 132(f)) or any parking facility used in connection with qualified parking (as defined in section 132(f)(5)(C)),

"(ii) which is not directly connected with an unrelated trade or business which is regularly carried on by the organization, and

"(iii) for which a deduction is not allowable under this chapter by reason of section 274.

"(B) EXCEPTION FOR CHURCH ORGANIZATIONS.—Subparagraph (A) shall not apply to—

"(i) any organization to which section 6033(a)(1) does not apply by reason of clause (i) or (iii) of section 6033(a)(3)(A), and

"(ii) any church-affiliated organization described in section 501(c) which is not required to file an annual return under section 6033(a)(1) by reason of section 6033(a)(3)(B).

"(C) TREATMENT AS INCOME FROM SEPARATE TRADE OR BUSINESS.—For purposes of paragraph (6), any increase under subparagraph (A) shall be treated as unrelated business taxable income with respect to an unrelated trade or business separate from any other unrelated trade or business of the organization.

"(D) REGULATIONS.— The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations or other guidance providing for the appropriate allocation of costs with respect to facilities used for parking.".

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

SEC. 112025. NAME AND LOGO ROYALTIES TREATED AS UNRELATED BUSINESS TAXABLE INCOME.

(a) IN GENERAL.—Section 513 is amended by adding at the end the following new subsection:

"(k) NAME AND LOGO ROYALTIES.—Any sale or licensing by an organization of any name or logo of the organization (including any trademark or copyright relating to such name or logo) shall be treated as an unrelated trade or business regularly carried on by such organization.".

(b) CALCULATION OF UNRELATED BUSINESS TAXABLE INCOME.—Section 512(b) is amended by adding at the end the following new paragraph:

"(20) SPECIAL RULE FOR NAME AND LOGO ROYALTIES.—Notwithstanding any other paragraph of this subsection, any income derived from any sale or licensing described in section 513(k) shall be included as an item of gross income derived from an unrelated trade or business.".

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

SEC. 112026. EXCLUSION OF RESEARCH INCOME LIMITED TO PUBLICLY AVAILABLE RESEARCH.

(a) IN GENERAL.—Section 512(b)(9) is amended by striking "from research" and inserting "from such research".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts received or accrued after December 31, 2025.

SEC. 112027. LIMITATION ON EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS.

(a) RULE MADE PERMANENT.—Section 461(l)(1) is amended by striking "and before January 1, 2029," each place it appears.

(b) CERTAIN NET OPERATING LOSS CARRYOVER TAKEN INTO ACCOUNT.—Section 461(l)(3) is amended—

(1) by inserting "(except as provided in subparagraph (B))" after "section 172",

(2) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and

(3) by inserting after subparagraph (A) the following new subparagraph:

"(B) CERTAIN NET OPERATING LOSS CARRYOVER TAKEN INTO ACCOUNT.—

"(i) IN GENERAL.—For purposes of subparagraph (A)(i), the aggregate deductions of the taxpayer shall be increased by so much of the net operating loss carried to the taxable year as is attributable to the treatment of a specified loss as a net operating loss under paragraph (2).

"(ii) SPECIFIED LOSS.—For purposes of this subparagraph, the term 'specified loss' means a loss which is disallowed under paragraph (1) for a taxable year beginning after December 31, 2024.".

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

SEC. 112028. 1-PERCENT FLOOR ON DEDUCTION OF CHARITABLE CONTRIBUTIONS MADE BY CORPORATIONS.

(a) IN GENERAL.—Section 170(b)(2)(A) is amended to read as follows:

"(A) IN GENERAL.—Any charitable contribution (other than any contribution to which subparagraph (B) or sub-

paragraph (C) applies or any contribution for which a deduction is not allowable under this section without regard to this paragraph) shall be allowed as a deduction under this subsection (a) only to the extent that the aggregate of such contributions—

"(i) exceeds 1 percent of the taxpayer's taxable income, and

"(ii) does not exceed 10 percent of the taxpayer's taxable income.".

(b) APPLICATION OF CARRYFORWARD.—Section 170(d)(2) is amended to read as follows:

"(2) CORPORATIONS.—

"(A) IN GENERAL.—Any charitable contribution taken into account under subsection (b)(2)(A) for any taxable year which is not allowed as a deduction by reason of clause (ii) thereof shall be taken into account as a charitable contribution for the succeeding taxable year, except that, for purposes of determining under this subparagraph whether such contribution is allowed in such succeeding taxable year, contributions in such succeeding taxable year (determined without regard to this paragraph) shall be taken into account under subsection (b)(2)(A) before any contribution taken into account by reason of this paragraph.

"(B) 5-YEAR CARRYFORWARD.—No charitable contribution may be carried forward under subparagraph (A) to any taxable year following the fifth taxable year after the taxable year in which the charitable contribution was first taken into account. For purposes of the preceding sentence, contributions shall be treated as allowed on a first-in first-out basis.

"(C) CONTRIBUTIONS DISALLOWED BY 1-PERCENT FLOOR CARRIED FORWARD ONLY FROM YEARS IN WHICH 10 PERCENT LIMITATION IS EXCEEDED.—In the case of any taxable year from which a charitable contribution is carried forward under subparagraph (A) (determined without regard this subparagraph), subparagraph (A) shall be applied by substituting 'clause (i) or (ii)' for 'clause (ii)'.

"(D) SPECIAL RULE FOR NET OPERATING LOSS CARRYOVERS.—The amount of charitable contributions carried forward under subparagraph (A) shall be reduced to the extent that such carryfoward would (but for this subparagraph) reduce taxable income (as computed for purposes of the second sentence of section 172(b)(2)) and increase a net operating loss carryover under section 172 to a succeeding taxable year.".

(c) CONFORMING AMENDMENTS.—Subparagraph (B)(ii) and (C)(ii) of section 170(b)(2) are each amended by inserting "other than subparagraph (C) thereof" after "subsection (d)(2)".

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

SEC. 112029. ENFORCEMENT OF REMEDIES AGAINST UNFAIR FOREIGN TAXES.

(a) IN GENERAL.—Subpart D of part II of subchapter N of chapter 1 is amended by adding at the end the following new section:

"SEC. 899. ENFORCEMENT OF REMEDIES AGAINST UNFAIR FOREIGN TAXES.

"(a) INCREASED RATES OF TAX ON FOREIGN PERSONS OF DISCRIMINATORY FOREIGN COUNTRIES.—

"(1) TAXES OTHER THAN WITHHOLDING TAXES.—

"(A) IN GENERAL.—In the case of any applicable person, each specified rate of tax (or any rate of tax applicable in lieu of such statutory rate) shall be increased by the applicable number of percentage points.

"(B) SPECIFIED RATE OF TAX.—For purposes of this paragraph, the term 'specified rate of tax' means—

"(i) the rates of tax specified in paragraphs (1) and (2) of section 871(a),

"(ii) in the case of any applicable person to which section 871(b) applies, each rate of tax in effect under section 1,

"(iii) the rate of tax specified in section 881(a),

"(iv) in the case of any applicable person to which section 882(a) applies, the rate of tax specified in section 11(b),

"(v) the rate of tax specified in section 884(a), and

"(vi) the rate of tax specified in section 4948(a).

"(C) APPLICATION OF INCREASED RATES TO EFFECTIVELY CONNECTED INCOME OF NONRESIDENT ALIEN INDIVIDUALS LIMITED TO GAINS ON UNITED STATES REAL PROPERTY INTERESTS.—In the case of any individual to whom subparagraph (A) applies, the tax imposed under section 1 on such individual (after application of subparagraph (A)) shall be reduced (but not below zero) by the excess of—

"(i) the tax which would be imposed under such section (after application of subparagraph (A)) if FIRPTA items were not taken into account, over

"(ii) the tax which would be imposed under such section if FIRPTA items were not taken into account, and subparagraph (A) did not apply.

For purposes of this clause, the term 'FIRPTA items' means gains and losses taken into account under section 871(b)(1) by reason of section 897(a)(1)(A).

"(D) APPLICATION OF INCREASED RATES TO CERTAIN FOREIGN GOVERNMENTS.—In the case of any applicable person described in subsection (b)(1)(A), section 892(a) shall not apply.

"(2) MODIFICATION OF BASE EROSION AND ANTI-ABUSE TAX.—In the case of any corporation described in subsection (b)(1)(E) (applied by substituting 'corporation' for 'foreign corporation')—

"(A) such corporation shall be treated as described in subparagraphs (B) and (C) of section 59A(e)(1) for purposes of determining whether such corporation is an applicable taxpayer,

"(B) section 59A(b)(1) shall be applied by—

"(i) substituting '12.5 percent' for '10 percent' in subparagraph (A), and

"(ii) by treating the amount described in section 59A(b)(1)(B)(ii) as being zero,

"(C) subsections (c)(2)(B), (c)(4)(B)(ii), and (d)(5) of section 59A shall not apply, and

"(D) if any amount (other than the purchase price of depreciable or amortizable property or inventory) would have been a base erosion payment described in section 59A(d)(1) but for the fact that the taxpayer capitalizes the amount, then solely for purposes of calculating the taxpayer's base erosion payments (within the meaning of section 59A(d)) and base erosion tax benefits (within the meaning of section 59A(c)(2)), such amount shall be treated as if it had been deducted rather than capitalized.

"(3) WITHHOLDING TAXES.—

"(A) IN GENERAL.—In the case of any payment to an applicable person, each rate of tax specified in section 1441(a) or 1442(a) (or any rate of tax applicable in lieu of such statutory rate) shall be increased by the applicable number of percentage points. The preceding sentence shall not apply to the 14 percent rate of tax specified in section 1441(a).

"(B) DISPOSITION OF UNITED STATES REAL PROPERTY INTERESTS.—In the case of any disposition of a United States real property interest (as defined in section 897(c)) by an applicable person, the rate of tax specified in section 1445(a) (or any rate of tax applicable in lieu of such statutory rate) shall be increased by the applicable number of percentage points.

"(C) OTHER DISPOSITIONS AND DISTRIBUTIONS RELATED TO UNITED STATES REAL PROPERTY INTERESTS.—In the case of any disposition or distribution described in any paragraph of section 1445(e), each rate of tax in such paragraph (or any rate of tax applicable in lieu of such statutory rate) shall be increased by the applicable number of percentage points if—

"(i) in the case of section 1445(e)(1), the foreign person referred to in subparagraph (A) or (B) of such section is an applicable person,

"(ii) in the case of section 1445(e)(2), the foreign corporation referred to in such section is an applicable person,

"(iii) in the case of section 1445(e)(3), the foreign shareholder referred to in such section is an applicable person,

"(iv) in the case of section 1445(e)(4), the foreign person referred to in such section is an applicable person,

"(v) in the case of section 1445(e)(5), the Secretary issues regulations or other guidance providing for such increase, and

"(vi) in the case of section 1445(e)(6), the nonresident alien individual or foreign corporation referred to in such section is an applicable person.

"(4) APPLICABLE NUMBER OF PERCENTAGE POINTS.—For purposes of this paragraph—

"(A) IN GENERAL.—The term 'applicable number of percentage points' means, with respect to any discriminatory foreign country—

"(i) with respect to the 1-year period beginning on the applicable date with respect to such foreign country, 5 percentage points, and

"(ii) with respect to any period after the 1-year period to which clause (i) applies, the sum of —

"(I) 5 percentage points, plus

"(II) an additional 5 percentage points for each annual anniversary of such applicable date which has occurred before the beginning of such period.

"(B) CAP ON INCREASE.—Notwithstanding subparagraph (A), the increase in any rate under paragraph (1) or (3) shall not result in such rate exceeding the amount of the statutory rate (determined without regard to any rate applicable in lieu of such statutory rate) increased by 20 percentage points.

"(C) APPLICABLE DATE.—For purposes of this section, the term 'applicable date' means, with respect to any discriminatory foreign country, the first day of the first calendar year beginning on or after the latest of—

"(i) 90 days after the date of enactment of this section,

"(ii) 180 days after the date of enactment of the unfair foreign tax that causes such country to be treated as a discriminatory foreign country, or

"(iii) the first date that an unfair foreign tax of such country begins to apply.

"(D) APPLICATION TO TAXABLE YEARS.—For purposes of paragraph (1), the applicable number of percentage points is the applicable number of percentage points in effect for the discriminatory foreign country during the taxpayer's taxable year. If more than one applicable number of percentage points is in effect for the discriminatory foreign country during the taxpayer's taxable year, the applicable number of percentage points shall be determined by using a weighted average rate based on each applicable number of percentage points in effect during such taxable year and the number of days during which it was in effect. For purposes of the prior sentence, the applicable number of percentage points in effect for the discriminatory foreign country for the period before the applicable date is treated as zero, and, if the taxpayer ceases to be an applicable person during its taxable year, the applicable number of percentage points in effect for the discriminatory foreign country for the period after the taxpayer ceased to be an applicable person is treated as zero.

"(E) APPLICATION TO WITHHOLDING TAXES.—For purposes of paragraph (3), the applicable number of percentage points shall be determined with respect to the date of the payment or disposition, as the case may be.

"(F) MULTIPLE DISCRIMINATORY FOREIGN COUNTRIES.—For purposes of paragraphs (1) and (3), if, on any day, the taxpayer is an applicable person with respect to more than one discriminatory foreign country, the highest applicable number of percentage points in effect shall apply.

"(G) INCREASE NOT APPLICABLE TO NONDISCRIMINATORY FOREIGN COUNTRIES.—In the case of any foreign country which is not a discriminatory foreign country, the applicable number of percentage points is zero.

"(5) YEARS TO WHICH APPLICABLE.—

"(A) TAXABLE YEAR.—In the case of any person, paragraphs (1) and (2) shall apply to each taxable year beginning—

"(i) after the later of—

"(I) 90 days after the date of enactment of this section,

"(II) 180 days after the date of enactment of the unfair foreign tax that causes such country to be treated as a discriminatory foreign country, or

"(III) the first date that an unfair foreign tax of such country begins to apply, and

"(ii) before the last date on which the discriminatory foreign country imposes an unfair foreign tax.

"(B) WITHHOLDING.—In the case of any person, paragraph (3) shall apply to each calendar year beginning during the period that such person is an applicable person.

"(C) SAFE HARBOR FOR WITHHOLDING.—Paragraph (3) shall not apply—

"(i) in the case of any applicable person to which clause (ii) does not apply, if the discriminatory foreign country with respect to which such person is an applicable person is not listed by the Secretary as a discriminatory foreign country, and

"(ii) in the case of any applicable person described in subparagraph (E) or (F) of subsection (b)(1), if the discriminatory foreign country with respect to which such person is an applicable person (and such country's applicable date) has been listed in such guidance for less than 90 days.

"(D) TEMPORARY SAFE HARBOR FOR WITHHOLDING AGENTS.—No penalties or interest shall be imposed with respect to failures, before January 1, 2027, to deduct or withhold any amounts by reason of paragraph (3) if the person required to deduct or withhold such amounts demonstrates to the satisfaction of the Secretary that such person made best efforts to comply with paragraph (3) in a timely manner.

"(b) APPLICABLE PERSON.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided by the Secretary, the term 'applicable person' means—

"(A) any government (within the meaning of section 892) of any discriminatory foreign country,

"(B) any individual (other than a citizen or resident of the United States) who is tax resident of a discriminatory foreign country,

"(C) any foreign corporation (other than a United States-owned foreign corporation, as defined in section 904(h)(6)) which is a tax resident of a discriminatory foreign country,

"(D) any private foundation (within the meaning of section 4948) created or organized in a discriminatory foreign country,

"(E) any foreign corporation (other than a publicly held corporation) if more than 50 percent of—

"(i) the total combined voting power of all classes of stock of such corporation entitled to vote, or

"(ii) the total value of the stock of such corporation, is owned (within the meaning of section 958(a)) by persons described in this paragraph,

"(F) any trust the majority of the beneficial interests of which are held (directly or indirectly) by persons described in this paragraph, and

"(G) foreign partnerships, branches, and any other entity identified with respect to a discriminatory foreign country by the Secretary for purposes of this subsection.

"(2) CONTINUATION OF TREATMENT DURING CERTAIN PERIODS.—For purposes of this section, if a person would cease to be an applicable person for a period of less than one year, such person shall continue to be treated as an applicable person during such period.

"(c) UNFAIR FOREIGN TAX.—For purposes of this section—

"(1) IN GENERAL.—The term 'unfair foreign tax' means an undertaxed profits rule (UTPR), digital services tax, diverted profits tax, and, to the extent provided by the Secretary, an extraterritorial tax, discriminatory tax, or any other tax enacted with a public or stated purpose indicating the tax will be economically borne, directly or indirectly, disproportionately by United States persons. Such term shall not include any tax which neither applies to—

"(A) any United States person (including a trade or business of a United States person), nor

"(B) any foreign corporation (including a trade or business of such foreign corporation) if the foreign corporation is a controlled foreign corporation and more than 50 percent of the total combined voting power of all classes of stock of such corporation entitled to vote, or the total value of the stock of such corporation) is owned (within the meaning of section 958(a)) by United States persons.

"(2) EXTRATERRITORIAL TAX.—The term 'extraterritorial tax' means any tax imposed by a foreign country on a corporation (including any trade or business of such corporation) which is determined by reference to any income or profits received by any person (including any trade or business of any person) by reason of such person being connected to such corporation through any chain of ownership, determined without regard to

the ownership interests of any individual, and other than by reason of such corporation having a direct or indirect ownership interest in such person.

"(3) DISCRIMINATORY TAX.—The term 'discriminatory tax' means any tax imposed by a foreign country if—

"(A) such tax applies more than incidentally to items of income that would not be considered to be from sources, or effectively connected to a trade or business, within the foreign country under the rules of part I of this subchapter if such part were applied by treating such foreign country as though it were the United States,

"(B) such tax is imposed on a base other than net income and is not computed by permitting recovery of costs and expenses,

"(C) such tax is exclusively or predominantly applicable, in practice or by its terms, to nonresident individuals and foreign corporations or partnerships (as determined under rules similar to paragraphs (4) and (5) of section 7701(a) by treating the foreign country as though it were the United States) because of the application of revenue thresholds, exemptions or exclusions for taxpayers subject to such foreign country's corporate income tax, or restrictions of scope that ensure that substantially all residents (other than foreign corporations and partnerships (as so determined)) supplying comparable goods or services are excluded from the application of such tax, or

"(D) such tax is not treated as an income tax under the laws of such foreign country or is otherwise treated by such foreign country as outside the scope of any agreements that are in force between such foreign country and one or more other jurisdictions for the avoidance of double taxation with respect to taxes on income.

"(4) EXCEPTIONS.—Except as otherwise provided by the Secretary, the terms 'extraterritorial tax' and 'discriminatory tax' shall not include any generally applicable tax which constitutes—

"(A) an income tax generally imposed on the income of citizens or residents of the foreign country, even if the computation of income includes payments that would be foreign source income under part I of this subchapter,

"(B) an income tax which would be an unfair foreign tax (determined without regard to this subparagraph) solely because it is imposed on the income of nonresidents attributable to a trade or business in such foreign country,

"(C) an income tax which would be an unfair foreign tax (determined without regard to this subparagraph) solely because it is imposed on citizens or residents of such foreign country by reference to the income of a corporate subsidiary of such person,

"(D) a withholding tax, or other gross basis tax, on any amount described in section 871(a)(1) or 881(a), other than any withholding tax, or other gross basis tax, imposed with respect to services performed by persons other than individuals,

"(E) a value added tax, goods and services tax, sales tax, or other similar tax on consumption,

"(F) a tax imposed with respect to transactions on a per-unit or per-transaction basis rather than on an ad valorem basis,

"(G) a tax on real or personal property, an estate tax, a gift tax, other similar tax,

"(H) a tax which would not be an extraterritorial tax or discriminatory tax (determined without regard to this subparagraph) except by reason of consolidation or loss sharing rules that generally apply only with respect to income of tax residents of the foreign country, or

"(I) any other tax identified by the Secretary for purposes of this paragraph.

"(d) OTHER DEFINITIONS.—For purposes of this section—

"(1) DISCRIMINATORY FOREIGN COUNTRY.—The term 'discriminatory foreign country' means any foreign country which has one or more unfair foreign taxes.

"(2) FOREIGN COUNTRY.—The term 'foreign country' means a foreign country (or political subdivision thereof) or a dependent territory or possession of a foreign country. Such term does not include any possession of the United States.

"(3) TAX.—The term 'tax' includes any increase in tax whether effectuated by an increase in the rate or base of a tax, by a denial of deductions or credits, or otherwise.

"(e) REGULATIONS AND OTHER GUIDANCE.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which—

"(1) provide for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including the application of this section (including subsections (b)(1)(E) and (c)(2)(A)(ii)) with respect to branches, partnerships, and other entities (whether or not otherwise disregarded for purposes of this chapter),

"(2) list the discriminatory foreign countries (and each such country's applicable date) in guidance, and update such guidance on a quarterly basis,

"(3) provide notice to Congress with respect to changes to the list under paragraph (2),

"(4) exercise the authority to provide exceptions under subsections (b)(1), (c)(4), and

"(5) prevent the application of subsection (a)(2)(D) from resulting in double counting of amounts for purposes of section 59A(c)(4)(A)(ii).".

(b) CLERICAL AMENDMENT.—The table of sections for subpart D of part II of subchapter N of chapter 1 is amended by adding at the end the following new item:

"Sec. 899. Enforcement of remedies against unfair foreign taxes.".

SEC. 112030. REDUCTION OF EXCISE TAX ON FIREARMS SILENCERS.

(a) IN GENERAL.—Section 5811(a) is amended to read as follows:

"(a) RATE.—There shall be levied, collected, and paid on firearms transferred a tax at the rate of—

"(1) $5 for each firearm transferred in the case of a weapon classified as any other weapon under section 5845(e),

"(2) $0 for each firearm transferred in the case of a silencer (as defined in section 5845(a)(7)), and

"(3) $200 for any other firearm transferred.".

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

SEC. 112031. MODIFICATIONS TO DE MINIMIS ENTRY PRIVILEGE FOR COMMERCIAL SHIPMENTS.

(a) CIVIL PENALTY.—

(1) ADDITIONAL PENALTY IMPOSED.—Section 321 of the Tariff Act of 1930 (19 U.S.C. 1321) is amended by adding at the end the following new subsection:

"(c) Any person who enters, introduces, facilitates, or attempts to introduce an article into the United States using the privilege of this section, the importation of which violates any other provision of United States law, shall be assessed, in addition to any other penalty permitted by law, a civil penalty of up to $5,000 for the first violation and up to $10,000 for each subsequent violation.".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect 30 days after the date of the enactment of this Act.

(b) REPEAL OF COMMERCIAL SHIPMENT EXCEPTION.—

(1) REPEAL.—Section 321(a)(2)(B) of such Act (19 U.S.C. 1321(a)(2)(B)) is amended by striking "of this Act, or" and all that follows through "subdivision (2); and" and inserting "of this Act; and".

(2) CONFORMING REPEAL.—Subsection (c) of such section 321, as added by subsection (a) of this section, is repealed.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on July 1, 2027.

SEC. 112032. LIMITATION ON DRAWBACK OF TAXES PAID WITH RESPECT TO SUBSTITUTED MERCHANDISE.

Effective for claims filed on or after July 1, 2026, for purposes of drawback of internal revenue tax imposed under chapter 52 of the Internal Revenue Code of 1986, the amount of drawback granted under such Code, or the Tariff Act of 1930, on the export or destruction of substituted merchandise may not exceed the amount of taxes paid (and not returned by refund, credit, or drawback) on the substituted merchandise.

PART 2—REMOVING TAXPAYER BENEFITS FOR ILLEGAL IMMIGRANTS

SEC. 112101. PERMITTING PREMIUM TAX CREDIT ONLY FOR CERTAIN INDIVIDUALS.

(a) IN GENERAL.—Section 36B(e)(1) is amended by inserting "or, in the case of aliens who are lawfully present, are not eligible aliens" after "individuals who are not lawfully present".

(b) ELIGIBLE ALIENS.—Section 36B(e)(2) is amended—

(1) by striking "For purposes of this section, an individual" and inserting the following: "For purposes of this section—

"(A) IN GENERAL.—An individual", and

(2) by adding at the end the following new subparagraph:

"(B) ELIGIBLE ALIENS.—An individual who is an alien and lawfully present shall be treated as an eligible alien if and only if such individual is, and is reasonably expected to be for the entire period of enrollment for which the credit under this section is being claimed—

"(i) an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.),

"(ii) an alien who—

"(I) is a citizen or national of the Republic of Cuba,

"(II) is the beneficiary of an approved petition under section 203(a) of the Immigration and Nationality Act (8 U.S.C. 1153(a)),

"(III) meets all eligibility requirements for an immigrant visa but for whom such a visa is not immediately available,

"(IV) is not otherwise inadmissible under section 212(a) of such Act (8 U.S.C. 1182(a)), and

"(V) is physically present in the United States pursuant to a grant of parole in furtherance of the commitment of the United States to the minimum level of annual legal migration of Cuban nationals to the United States specified in the U.S.-Cuba Joint Communiqué on Migration, done at New York September 9, 1994, and reaffirmed in the Cuba-United States: Joint Statement on Normalization of Migration, Building on the Agreement of September 9, 1994, done at New York May 2, 1995, or

"(iii) an individual who lawfully resides in the United States in accordance with a Compact of Free Association referred to in section 402(b)(2)(G) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(b)(2)(G)).".

(c) CONFORMING AMENDMENTS.—

(1) VERIFICATION OF INFORMATION.—Section 1411 of the Patient Protection and Affordable Care Act (42 U.S.C. 18081) is amended—

(A) in subsection (a)—

(i) in paragraph (1), by striking "and section 36B(e) of the Internal Revenue Code of 1986"; and

(ii) in paragraph (2)—

(I) in subparagraph (A), by striking "and" at the end;

(II) in subparagraph (B), by adding "and" at the end; and

(III) by adding at the end the following new subparagraph:

"(C) in the case such individual is an alien lawfully present in the United States, whether such individual is an eligible alien (within the meaning of section 36B(e)(2) of such Code);";

(B) in subsection (b)(3), by adding at the end the following new subparagraph:

"(D) IMMIGRATION STATUS.—In the case the individual's eligibility is based on an attestation of the enrollee's immigration status, an attestation that such individual is an eligible alien (within the meaning of 36B(e)(2) of the Internal Revenue Code of 1986)."; and

(C) in subsection (c)(2)(B)(ii), by adding at the end the following new subclause:

"(III) In the case of an individual described in clause (i)(I) with respect to whom a premium tax credit or reduced cost-sharing under section 36B of the Internal Revenue Code of 1986 or section 1402 is being claimed, the attestation that the individual is an eligible alien (within the meaning of section 36B(e)(2) of such Code).".

(2) ADVANCE DETERMINATIONS.—Section 1412(d) of the Patient Protection and Affordable Care Act (42 U.S.C. 18082(d)) is amended by inserting before the period at the end the following: "or, in the case of aliens who are lawfully present, are not eligible aliens (within the meaning of section 36B(e)(2) of the Internal Revenue Code of 1986)".

(3) COST-SHARING REDUCTIONS.—Section 1402(e) of the Patient Protection and Affordable Care Act (42 U.S.C. 18071(e)) is amended—

(A) in the header, by inserting "OR NOT ELIGIBLE ALIENS" after "INDIVIDUALS NOT LAWFULLY PRESENT";

(B) in paragraph (1), in the matter preceding subparagraph (A), by inserting "or, in the case of an alien who is lawfully present, is not an eligible alien (within the meaning of section 36B(e)(2) of the Internal Revenue Code of 1986)" after "not lawfully present"; and

(C) by amending paragraph (2) to read as follows:

"(2) ELIGIBLE ALIENS.—For purposes of this section, an individual shall be treated as an eligible alien (within the meaning of section 36B(e)(2) of the Internal Revenue Code of 1986) if, and only if, the individual is, and for the entire period of enrollment for which the cost-sharing reduction under this section is being claimed is reasonably expected to be, such an alien.".

(4) BASIC HEALTH PROGRAMS.—Section 1331(e)(1) of the Patient Protection and Affordable Care Act (42 U.S.C. 18051(e)(1)) is amended by inserting before the period at the end the following: "or, in the case of an alien who is lawfully present, an individual who is not an eligible alien (as defined in section 36B(e)(2) of the Internal Revenue Code of 1986".

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to plan years beginning on or after January 1, 2027.

(d) CLERICAL AMENDMENTS.—

(1) The heading for section 36B(e) is amended by inserting "AND NOT ELIGIBLE ALIENS" after "INDIVIDUALS NOT LAWFULLY PRESENT".

(2) The heading for section 36B(e)(2) is amended by inserting "; ELIGIBLE ALIENS" after "LAWFULLY PRESENT".

(e) REQUIREMENT TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.—Section 5000A(d)(3) is amended by striking "an alien lawfully present in the United States" and inserting "an eligible alien (within the meaning of section 36B(e)(2))".

(f) REGULATIONS.—The Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this section.

(g) EFFECTIVE DATE.—The amendments made by this section (other than the amendments made by subsection (c)) shall apply to taxable years beginning after December 31, 2026.

SEC. 112102. CERTAIN ALIENS TREATED AS INELIGIBLE FOR PREMIUM TAX CREDIT.

(a) IN GENERAL.—Section 36B(e)(2), as amended by the preceding provisions of this Act, is amended by adding at the end the following new subparagraph:

"(C) ELIGIBLE ALIENS.—Notwithstanding subparagraph (B), an individual who is an alien and lawfully present shall be treated as an eligible alien if and only if such individual is not, and is reasonably expected not to be for the entire period of enrollment for which the credit under this section is being claimed—

"(i) an alien granted, or with a pending application for, asylum under section 208 of the Immigration and Nationality Act,

"(ii) an alien granted parole under section 212(d)(5) or 236(a)(2)(B) of the Immigration and Nationality Act,

"(iii) an alien granted temporary protected status under section 244 of the Immigration and Nationality Act,

"(iv) an alien granted deferred action or deferred enforced departure, or

"(v) an alien granted withholding of removal under section 241(b)(3) of the Immigration and Nationality Act.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2026.

SEC. 112103. DISALLOWING PREMIUM TAX CREDIT DURING PERIODS OF MEDICAID INELIGIBILITY DUE TO ALIEN STATUS.

(a) IN GENERAL.—Section 36B(c)(1) is amended by striking subparagraph (B) and by redesignating subparagraphs (C), (D), and (E) as subparagraphs (B), (C), and (D), respectively.

(b) CONFORMING AMENDMENTS.—

(1) Section 36B(g)(4)(A) is amended by striking "subsection (c)(1)(C)" and inserting "subsection (c)(1)(B)".

(2) Section 1331(e)(1)(B) of the Patient Protection and Affordable Care Act (42 U.S.C. 18051(e)(1)(B)) is amended by striking ", or, in the case of" and all that follows through "such alien status".

(3) Section 1402(b) of such Act (42 U.S.C. 18071(b)) is amended by striking the second sentence.

(c) REGULATIONS.—The Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this section.

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

SEC. 112104. LIMITING MEDICARE COVERAGE OF CERTAIN INDIVIDUALS.

Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by adding at the end the following new section:

"SEC. 1899C. LIMITING MEDICARE COVERAGE OF CERTAIN INDIVIDUALS.

"(a) IN GENERAL.—Notwithstanding section 226, section 226A, section 401 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, or any other provision of this title, but subject to subsection (b), an individual may be entitled to, or enrolled for, benefits under this title only if the individual is—

"(1) a citizen or national of the United States;

"(2) an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act;

"(3) an alien who—

"(A) is a citizen or national of the Republic of Cuba;

"(B) is the beneficiary of an approved petition under section 203(a) of the Immigration and Nationality Act;

"(C) meets all eligibility requirements for an immigrant visa but for whom such a visa is not immediately available;

"(D) is not otherwise inadmissible under section 212(a) of such Act; and

"(E) is physically present in the United States pursuant to a grant of parole in furtherance of the commitment of the United States to the minimum level of annual legal migration of Cuban nationals to the United States specified in the U.S.-Cuba Joint Communiqué on Migration, done at New York September 9, 1994, and reaffirmed in the Cuba-United States: Joint Statement on Normalization of Migration, Building on the Agreement of September 9, 1994, done at New York May 2, 1995; or

"(4) an individual who lawfully resides in the United States in accordance with a Compact of Free Association referred to in section 402(b)(2)(G) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

"(b) APPLICATION TO INDIVIDUALS CURRENTLY ENTITLED TO OR ENROLLED FOR BENEFITS.—

"(1) IN GENERAL.—In the case of an individual who is entitled to, or enrolled for, benefits under this title as of the date of the enactment of this section, subsection (a) shall apply beginning on the date that is 1 year after such date of enactment.

"(2) REVIEW BY COMMISSIONER OF SOCIAL SECURITY.—

"(A) IN GENERAL.—Not later than 6 months after the date of the enactment of this section, the Commissioner of Social Security shall complete a review of individuals entitled to, or enrolled for, benefits under this title as of such

date of enactment for purposes of identifying individuals not described in any of paragraphs (1) through (4) of subsection (a).

"(B) NOTICE.—The Commissioner of Social Security shall notify each individual identified under the review conducted under subparagraph (A) that such individual's entitlement to, or enrollment for, benefits under this title will be terminated as of the date that is 1 year after the date of the enactment of this section. Such notification shall be made as soon as practicable after such identification and in a manner designed to ensure such individual's comprehension of such notification.".

SEC. 112105. EXCISE TAX ON REMITTANCE TRANSFERS.

(a) IN GENERAL.—Chapter 36 is amended by inserting after subchapter B the following new subchapter:

"Subchapter C—Remittance Transfers

"Sec. 4475. Imposition of tax.

"SEC. 4475. IMPOSITION OF TAX.

"(a) IN GENERAL.—There is hereby imposed on any remittance transfer a tax equal to 5 percent of the amount of such transfer.

"(b) PAYMENT OF TAX.—

"(1) IN GENERAL.—The tax imposed by this section with respect to any remittance transfer shall be paid by the sender with respect to such transfer.

"(2) COLLECTION.—The remittance transfer provider with respect to any remittance transfer shall collect the amount of the tax imposed under subsection (a) with respect to such transfer from the sender and remit such tax quarterly to the Secretary at such time and in such manner as provided by the Secretary.

"(3) SECONDARY LIABILITY.—Where any tax imposed by subsection (a) is not paid at the time the transfer is made, then to the extent that such tax is not collected, such tax shall be paid by the remittance transfer provider.

"(c) EXCEPTION FOR REMITTANCE TRANSFERS SENT BY CITIZENS AND NATIONALS OF THE UNITED STATES THROUGH CERTAIN PROVIDERS.—

"(1) IN GENERAL.—Subsection (a) shall not apply to any remittance transfer with respect to which the remittance transfer provider is a qualified remittance transfer provider and the sender is a verified United States sender.

"(2) QUALIFIED REMITTANCE TRANSFER PROVIDER.—For purposes of this subsection, the term 'qualified remittance transfer provider' means any remittance transfer provider which enters into a written agreement with the Secretary pursuant to which such provider agrees to verify the status of senders as citizens or nationals of the United States in such manner, and in accordance with such procedures, as the Secretary may specify.

"(3) VERIFIED UNITED STATES SENDER.—For purposes of this subsection, the term 'verified United States sender' means any sender who is verified by a qualified remittance transfer provider as being a citizen or national of the United States pursuant to an agreement described in paragraph (2).

"(d) DEFINITIONS.—For purposes of this section, the terms 'remittance transfer', 'remittance transfer provider', 'designated recipient', and 'sender' shall each have the respective meanings given such terms by section 920(g) of the Electronic Fund Transfer Act (15 U.S.C. 1693o-1; relating to "Remittance Transfers").

"(e) APPLICATION OF ANTI-CONDUIT RULES.—For purposes of section 7701(l) with respect to any multiple-party arrangements involving the sender, a remittance transfer shall be treated as a financing transaction.".

(b) REFUNDABLE INCOME TAX CREDIT ALLOWED TO CITIZENS AND NATIONALS OF THE UNITED STATES FOR EXCISE TAX ON REMITTANCE TRANSFERS.—Subpart C of part IV of subchapter A of chapter 1 is amended by inserting after section 36B the following new section:

"SEC. 36C. CREDIT FOR EXCISE TAX ON REMITTANCE TRANSFERS OF CITIZENS AND NATIONALS OF THE UNITED STATES.

"(a) IN GENERAL.—In the case of any individual, there shall be allowed as a credit against the tax imposed by this subtitle for any taxable year an amount equal to the aggregate amount of taxes paid by such individual under section 4475 during such taxable year.

"(b) SOCIAL SECURITY NUMBER REQUIREMENT.—

"(1) IN GENERAL.—No credit shall be allowed under this section unless the taxpayer includes on the return of tax for the taxable year—

"(A) the individual's social security number, and

"(B) if the individual is married, the social security number of such individuals's spouse.

"(2) SOCIAL SECURITY NUMBER.—For purposes of this subsection, the term 'social security number' has the meaning given such term in section 24(h)(7).

"(3) MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this section.

"(c) SUBSTANTIATION REQUIREMENTS.—No credit shall be allowed under this section unless the taxpayer demonstrates to the satisfaction of the Secretary that the tax under section 4475 with respect to which such credit is determined—

"(1) was paid by the taxpayer, and

"(2) is with respect to a remittance transfer with respect to which the taxpayer provided to the remittance transfer provider the certification and information referred to in section 6050AA(a)(2).

"(d) DEFINITIONS.—Any term used in this section which is also used in section 4475 shall have the meaning given such term in section 4475.

"(e) APPLICATION OF ANTI-CONDUIT RULES.—For rules providing for the application of the anti-conduit rules of section 7701(l) to remittance transfers, see section 4475(e).".

(c) REPORTING BY REMITTANCE TRANSFER PROVIDERS.—

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

"SEC. 6050AA. RETURNS RELATING TO REMITTANCE TRANSFERS.

"(a) IN GENERAL.—Each remittance transfer provider shall make a return at such time as the Secretary may provide setting forth—

"(1) in the case of a qualified remittance transfer provider with respect to remittance transfers to which section 4475(a) does not apply by reason of section 4475(c), the aggregate number and value of such transfers,

"(2) in the case of any remittance transfer not described in paragraph (1) and with respect to which the sender certifies to the remittance transfer provider an intent to claim the credit under section 36C and provides the information described in paragraph (1)—

"(A) the name, address, and social security number of the sender,

"(B) the amount of tax paid by the sender under section 4475(b)(1), and

"(C) the amount of tax remitted by the remittance transfer provider under section 4475(b)(2), and

"(3) in the case of any remittance transfer not included under paragraph (1) or (2)—

"(A) the aggregate amount of tax paid under section 4475(b)(1) with respect to such transfers, and

"(B) the aggregate amount of tax remitted under section 4475(b)(2) with respect to such transfers.

"(b) STATEMENT TO BE FURNISHED TO NAMED PERSONS.—Every person required to make a return under subsection (a) shall furnish, at such time as the Secretary may provide, to each person whose name is required to be set forth in such return a written statement showing—

"(1) the name and address of the information contact of the required reporting person, and

"(2) the information described in subsection (a)(2) which relates to such person.

"(c) DEFINITIONS.—Any term used in this section which is also used in section 4475 shall have the meaning given such term in such section.".

(2) PENALTIES.—Section 6724(d), as amended by the preceding provisions of this Act, is amended—

(A) in paragraph (1)(B), by striking "or" at the end of clause (xxvii), by striking "and" at the end of clause (xxviii) and inserting "or", and by adding at the end the following new clause:

"(xxix) section 6050AA(a) (relating to returns relating to remittance transfers), and", and

(B) in paragraph (2), by striking "or" at the end of subparagraph (MM), by striking the period at the end of subparagraph (NN) and inserting ", or", and by inserting after subparagraph (NN) the following new subparagraph:

"(OO) section 6050AA(b) (relating to statements relating to remittance transfers).".

(d) CONFORMING AMENDMENTS.—

(1) Section 6211(b)(4)(A) is amended by inserting "36C," after "36B,".

(2) Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (Z), by the striking the period at the end of subparagraph (AA) and inserting ", and", and by inserting after subparagraph (AA) the following new subparagraph:

"(BB) an omission of a correct social security number under section 36C(b) to be included on a return.".

(3) Section 1324(b)(2) of title 31, United States Code, is amended by inserting "36C," after "36B,".

(4) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 36B the following new item:

"Sec. 36C. Credit for excise tax on remittance transfers of citizens and nationals of the United States.".

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

"Sec. 6050AA. Returns relating to remittance transfers.".

(6) The table of subchapters for chapter 36 is amended by inserting after the item relating to subchapter B the following new item:

"SUBCHAPTER C—REMITTANCE TRANSFERS".

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to transfers made after December 31, 2025.

(2) TAX CREDIT.—The amendments made by subsection (b), and paragraphs (1) through (4) of subsection (d), shall apply to taxable years ending after December 31, 2025.

SEC. 112106. SOCIAL SECURITY NUMBER REQUIREMENT FOR AMERICAN OPPORTUNITY AND LIFETIME LEARNING CREDITS.

(a) SOCIAL SECURITY NUMBER OF TAXPAYER REQUIRED.—Section 25A(g)(1) is amended to read as follows:

"(1) IDENTIFICATION REQUIREMENT.—

"(A) SOCIAL SECURITY NUMBER REQUIREMENT.—No credit shall be allowed under subsection (a) to a taxpayer unless the taxpayer includes on the return of tax for the taxable year—

"(i) such individual's social security number,

"(ii) if the individual is married, the social security number of such individual's spouse, and

"(iii) in the case of a credit with respect to the qualified tuition and related expenses of an individual other than the taxpayer or the taxpayer's spouse, the name and social security number of such individual.

"(B) INSTITUTION.—No American Opportunity Tax Credit shall be allowed under this section unless the taxpayer includes the employer identification number of any institution to which the taxpayer paid qualified tuition and related expenses taken into account under this section on the return of tax for the taxable year.

"(C) SOCIAL SECURITY NUMBER DEFINED.—For purposes of this paragraph, the term 'social security number' shall have the meaning given such term in section 24(h)(7).".

(b) RULES RELATED TO MARRIED INDIVIDUALS.—Section 25A(g)(6) is amended to read as follows:

"(6) RULES RELATED TO MARRIED INDIVIDUALS.—Rules similar to the rules of section 32(d) shall apply to this section.".

(c) OMISSION TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2)(J) is amended by striking "TIN" and inserting "social security number or employer identification number".

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

PART 3—PREVENTING FRAUD, WASTE, AND ABUSE

SEC. 112201. REQUIRING EXCHANGE VERIFICATION OF ELIGIBILITY FOR HEALTH PLAN.

(a) IN GENERAL.—Section 36B(c) is amended by adding at the end the following new paragraphs:

"(5) EXCHANGE ENROLLMENT VERIFICATION REQUIREMENT.—

"(A) IN GENERAL.—The term 'coverage month' shall not include, with respect to any individual covered by a qualified health plan enrolled in through an Exchange, any month beginning before the Exchange verifies, using applicable enrollment information that shall be provided or verified by the applicant, such individual's eligibility—

"(i) to enroll in the plan through the Exchange,

"(ii) for any advance payment under section 1412 of the Patient Protection and Affordable Care Act of the credit allowed under this section, and

"(iii) for any reduced cost-sharing under section 1402 of such Act.

"(B) APPLICABLE ENROLLMENT INFORMATION.—For purposes of subparagraph (A), applicable enrollment information shall at least include affirmation of the following information (to the extent relevant in determining eligibility described in subparagraph (A)):

"(i) Income.

"(ii) Any immigration status.

"(iii) Any health coverage status or eligibility for coverage.

"(iv) Place of residence.

"(v) Family size.

"(vi) Such other information as may be determined by the Secretary (in consultation with the Secretary of Health and Human Services) as necessary to the verification prescribed under subparagraph (A).

"(C) VERIFICATION OF PAST MONTHS.—In the case of a month that begins before verification prescribed by subparagraph (A), such month shall be treated as a coverage month if, and only if, the Exchange verifies for such month (using applicable enrollment information that shall be provided or verified by the applicant) such individual's eligi-

bility to have so enrolled, for any such advance payment, and for any such reduced cost-sharing.

"(D) EXCHANGE PARTICIPATION; COORDINATION WITH OTHER PROCEDURES FOR DETERMINING ELIGIBILITY.—An individual shall not, solely by reason of failing to meet the requirements of this paragraph with respect to a month, be treated for such month as ineligible to enroll in a qualified health plan through an Exchange.

"(6) EXCHANGE COMPLIANCE WITH FILING REQUIREMENTS.—The term 'coverage month' shall not include, with respect to any individual covered by a qualified health plan enrolled in through an Exchange, any month for which the Exchange does not meet the requirements of section 155.305(f)(4) of title 45, Code of Federal Regulations (as published in the Federal Register on March 19, 2025 (90 FR 12942)), with respect to the individual.".

(b) PRE-ENROLLMENT VERIFICATION PROCESS REQUIRED.—Section 36B(c)(3)(A) is amended—

(1) by striking "HEALTH PLAN.—The term" and inserting the following: "HEALTH PLAN.—

"(i) IN GENERAL.—The term", and

(2) by adding at the end the following new clause:

"(ii) PRE-ENROLLMENT VERIFICATION PROCESS REQUIRED.—Such term shall not include any plan enrolled in through an Exchange, unless such Exchange provides a process for pre-enrollment verification through which any applicant may, beginning not later than August 1, verify with the Exchange the applicant's eligibility for enrollment in such plan for plan years beginning in the subsequent year, for any advance payment of the credit allowed under this section, and for reduced cost-sharing under section 1402 of the Patient Protection and Affordable Care Act.".

(c) REGULATIONS.—The Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe such rules and other guidance as may be necessary or appropriate to carry out the amendments made by this section.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2027.

SEC. 112202. DISALLOWING PREMIUM TAX CREDIT IN CASE OF CERTAIN COVERAGE ENROLLED IN DURING SPECIAL ENROLLMENT PERIOD.

(a) IN GENERAL.—Section 36B(c)(3)(A), as amended by the preceding provisions of this Act, is amended by adding at the end the following new clause:

"(iii) EXCEPTION IN CASE OF CERTAIN SPECIAL ENROLLMENT PERIODS.—Such term shall not include any plan enrolled in during a special enrollment period provided for by an Exchange—

"(I) on the basis of the relationship of the individual's expected household income to such a percentage of the poverty line (or such other amount) as is prescribed by the Secretary of Health and Human Services for purposes of such period, and

"(II) not in connection with the occurrence of an event or change in circumstances specified by the Secretary of Health and Human Services for such purposes.".

(b) REGULATIONS.—The Secretary of Treasury and the Secretary of Health and Human Services shall prescribe such rules (including interim final and temporary regulations) and other guidance as may be necessary to carry out the purposes of the amendments made by this section.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to plans enrolled in during calendar months beginning after the third calendar month ending after the date of the enactment of this Act.

SEC. 112203. ELIMINATING LIMITATION ON RECAPTURE OF ADVANCE PAYMENT OF PREMIUM TAX CREDIT.

(a) IN GENERAL.—Section 36B(f)(2) is amended by striking subparagraph (B).

(b) CONFORMING AMENDMENTS.—

(1) Section 36B(f)(2) is amended by striking "ADVANCE PAYMENTS.—" and all that follows through "If the advance payments" and inserting the following: "ADVANCE PAYMENTS.—If the advance payments".

(2) Section 35(g)(12)(B)(ii) is amended by striking "then section 36B(f)(2)(B) shall be applied by substituting the amount determined under clause (i) for the amount determined under section 36B(f)(2)(A)" and inserting "then the amount determined under clause (i) shall be substituted for the amount determined under section 36B(f)(2)".

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

SEC. 112204. IMPLEMENTING ARTIFICIAL INTELLIGENCE TOOLS FOR PURPOSES OF REDUCING AND RECOUPING IMPROPER PAYMENTS UNDER MEDICARE.

(a) IN GENERAL.—Part E of title XVIII of the Social Security Act (42 U.S.C. 1395x et seq.), as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

"SEC. 1899D. IMPLEMENTING ARTIFICIAL INTELLIGENCE TOOLS FOR PURPOSES OF REDUCING AND RECOUPING IMPROPER PAYMENTS.

"(a) IN GENERAL.—Not later than January 1, 2027, the Secretary shall implement such artificial intelligence tools determined appropriate by the Secretary for purposes of—

"(1) reducing improper payments made under parts A and B; and

"(2) identifying any such improper payments so made.

"(b) CONTRACTS.—The Secretary shall seek to contract with a vendor of artificial intelligence tools and with data scientists for purposes of implementing the artificial intelligence tools required under subsection (a).

"(c) RECOUPMENT.—The Secretary shall, to the extent practicable, recoup payments identified using the artificial intelligence tools implemented under subsection (a).

"(d) REPORT.—Not later than January 1, 2029, and not less frequently than annually thereafter, the Secretary shall report to Congress on the implementation of artificial intelligence tools under subsection (a) and the recoupment of improper payments under subsection (c). Such report shall include—

"(1) a description of any opportunities for further reducing rates of improper payments described in subsection (a)(1) or further increasing rates of recoupment of such payments;

"(2) the total dollar amount of improper payments recouped in the most recent year for which data is available; and

"(3) in the case that the Secretary fails to reduce the rate of improper payments by 50 percent in such most recent year as compared to the year prior to such most recent year, a description of the reasons for such failure.".

(b) IMPLEMENTATION FUNDING.—

(1) FEDERAL HOSPITAL INSURANCE TRUST FUND.—The Secretary of Health and Human Services shall provide for the transfer from the Federal Hospital Insurance Trust Fund established under section 1817 of the Social Security Act (42 U.S.C. 1395i) to the Centers for Medicare & Medicaid Services Program Management Account of $12,500,000 for fiscal year 2025 for purposes of carrying out the amendment made by this section, to remain available until expended.

(2) FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND.—The Secretary of Health and Human Services shall provide for the transfer, from the Federal Supplementary Medical Insurance Trust Fund established under section 1841 of the Social Security Act (42 U.S.C. 1395t) to the Centers for Medicare & Medicaid Services Program Management Account of $12,500,000 for fiscal year 2025 for purposes of carrying out the amendment made by this section, to remain available until expended.

SEC. 112205. ENFORCEMENT PROVISIONS WITH RESPECT TO COVID-RELATED EMPLOYEE RETENTION CREDITS.

(a) INCREASE IN ASSESSABLE PENALTY ON COVID–ERTC PROMOTERS FOR AIDING AND ABETTING UNDERSTATEMENTS OF TAX LIABILITY.—

(1) IN GENERAL.—If any COVID–ERTC promoter is subject to penalty under section 6701(a) of the Internal Revenue Code of 1986 with respect to any COVID–ERTC document, notwithstanding paragraphs (1) and (2) of section 6701(b) of such Code, the amount of the penalty imposed under such section 6701(a) shall be the greater of—

(A) $200,000 ($10,000, in the case of a natural person), or

(B) 75 percent of the gross income derived (or to be derived) by such promoter with respect to the aid, assistance, or advice referred to in section 6701(a)(1) of such Code with respect to such document.

(2) NO INFERENCE.—Paragraph (1) shall not be construed to create any inference with respect to the proper application of the knowledge requirement of section 6701(a)(3) of the Internal Revenue Code of 1986.

(b) FAILURE TO COMPLY WITH DUE DILIGENCE REQUIREMENTS TREATED AS KNOWLEDGE FOR PURPOSES OF ASSESSABLE PENALTY FOR AIDING AND ABETTING UNDERSTATEMENT OF TAX LIABILITY.—In the case of any COVID–ERTC promoter, the knowledge requirement of section 6701(a)(3) of the Internal Revenue Code of 1986 shall be treated as satisfied with respect to any COVID–ERTC document with respect to which such promoter provided aid, assistance, or advice, if such promoter fails to comply with the due diligence requirements referred to in subsection (c)(1).

(c) ASSESSABLE PENALTY FOR FAILURE TO COMPLY WITH DUE DILIGENCE REQUIREMENTS.—

(1) IN GENERAL.—Any COVID–ERTC promoter which provides aid, assistance, or advice with respect to any COVID–ERTC document and which fails to comply with due diligence requirements imposed by the Secretary with respect to determining eligibility for, or the amount of, any COVID-related employee retention tax credit, shall pay a penalty of $1,000 for each such failure.

(2) DUE DILIGENCE REQUIREMENTS.—Except as otherwise provided by the Secretary, the due diligence requirements referred to in paragraph (1) shall be similar to the due diligence requirements imposed under section 6695(g) of the Internal Revenue Code of 1986.

(3) RESTRICTION TO DOCUMENTS USED IN CONNECTION WITH RETURNS OR CLAIMS FOR REFUND.—Paragraph (1) shall not apply with respect to any COVID–ERTC document unless such document constitutes, or relates to, a return or claim for refund.

(4) TREATMENT AS ASSESSABLE PENALTY, ETC.—For purposes of the Internal Revenue Code of 1986, the penalty imposed under paragraph (1) shall be treated in the same manner as a penalty imposed under section 6695(g) of such Code.

(5) SECRETARY.—For purposes of this subsection, the term "Secretary" means the Secretary of the Treasury or the Secretary's delegate.

(d) ASSESSABLE PENALTIES FOR FAILURE TO DISCLOSE INFORMATION, MAINTAIN CLIENT LISTS, ETC.—For purposes of sections 6111, 6112, 6707 and 6708 of the Internal Revenue Code of 1986—

(1) any COVID-related employee retention tax credit (whether or not the taxpayer claims such COVID-related employee retention tax credit) shall be treated as a listed transaction (and as a reportable transaction) with respect to any COVID–ERTC promoter if such promoter provides any aid, assistance, or advice with respect to any COVID–ERTC document relating to such COVID-related employee retention tax credit, and

(2) such COVID–ERTC promoter shall be treated as a material advisor with respect to such transaction.

(e) COVID–ERTC PROMOTER.—For purposes of this section—

(1) IN GENERAL.—The term "COVID–ERTC promoter" means, with respect to any COVID–ERTC document, any person which provides aid, assistance, or advice with respect to such document if—

(A) such person charges or receives a fee for such aid, assistance, or advice which is based on the amount of the

refund or credit with respect to such document and, with respect to such person's taxable year in which such person provided such assistance or the preceding taxable year, the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID-ERTC documents exceeds 20 percent of the gross receipts of such person for such taxable year, or

(B) with respect to such person's taxable year in which such person provided such assistance or the preceding taxable year—

(i) the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID–ERTC documents exceeds 50 percent of the gross receipts of such person for such taxable year, or

(ii) both—

(I) such aggregate gross receipts exceeds 20 percent of the gross receipts of such person for such taxable year, and

(II) the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID–ERTC documents (determined after application of paragraph (3)) exceeds $500,000.

(2) EXCEPTION FOR CERTIFIED PROFESSIONAL EMPLOYER ORGANIZATIONS.—The term "COVID–ERTC promoter" shall not include a certified professional employer organization (as defined in section 7705 of the Internal Revenue Code of 1986).

(3) AGGREGATION RULE.—For purposes of paragraph (1)(B)(ii)(II), all persons treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986, or subsection (m) or (o) of section 414 of such Code, shall be treated as 1 person.

(4) SHORT TAXABLE YEARS.—In the case of any taxable year of less than 12 months, paragraph (1) shall be applied with respect to the calendar year in which such taxable year begins (in addition to applying to such taxable year).

(f) COVID–ERTC DOCUMENT.—For purposes of this section, the term "COVID–ERTC document" means any return, affidavit, claim, or other document related to any COVID-related employee retention tax credit, including any document related to eligibility for, or the calculation or determination of any amount directly related to any COVID-related employee retention tax credit.

(g) COVID-RELATED EMPLOYEE RETENTION TAX CREDIT.—For purposes of this section, the term "COVID-related employee retention tax credit" means—

(1) any credit, or advance payment, under section 3134 of the Internal Revenue Code of 1986, and

(2) any credit, or advance payment, under section 2301 of the CARES Act.

(h) LIMITATION ON CREDIT AND REFUND OF COVID-RELATED EMPLOYEE RETENTION TAX CREDITS.—Notwithstanding section 6511 of the Internal Revenue Code of 1986 or any other provision of law, no credit or refund of any COVID-related employee retention tax credit shall be allowed or made after the date of the enactment of

this Act, unless a claim for such credit or refund is filed by the taxpayer on or before January 31, 2024.

(i) AMENDMENTS TO EXTEND LIMITATION ON ASSESSMENT.—

(1) IN GENERAL.—Section 3134(l) is amended to read as follows:

"(l) EXTENSION OF LIMITATION ON ASSESSMENT.—

"(1) IN GENERAL.—Notwithstanding section 6501, the limitation on the time period for the assessment of any amount attributable to a credit claimed under this section shall not expire before the date that is 6 years after the latest of—

"(A) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed,

"(B) the date on which such return is treated as filed under section 6501(b)(2), or

"(C) the date on which the claim for credit or refund with respect to such credit is made.

"(2) DEDUCTION FOR WAGES TAKEN INTO ACCOUNT IN DETERMINING IMPROPERLY CLAIMED CREDIT.—

"(A) IN GENERAL.—Notwithstanding section 6511, in the case of an assessment attributable to a credit claimed under this section, the limitation on the time period for credit or refund of any amount attributable to a deduction for improperly claimed ERTC wages shall not expire before the time period for such assessment expires under paragraph (1).

"(B) IMPROPERLY CLAIMED ERTC WAGES.—For purposes of this paragraph, the term 'improperly claimed ERTC wages' means, with respect to an assessment attributable to a credit claimed under this section, the wages with respect to which a deduction would not have been allowed if the portion of the credit to which such assessment relates had been properly claimed.".

(2) APPLICATION TO CARES ACT CREDIT.—Section 2301 of the CARES Act is amended by adding at the end the following new subsection:

"(o) EXTENSION OF LIMITATION ON ASSESSMENT.—

"(1) IN GENERAL.—Notwithstanding section 6501 of the Internal Revenue Code of 1986, the limitation on the time period for the assessment of any amount attributable to a credit claimed under this section shall not expire before the date that is 6 years after the latest of—

"(A) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed,

"(B) the date on which such return is treated as filed under section 6501(b)(2) of such Code, or

"(C) the date on which the claim for credit or refund with respect to such credit is made.

"(2) DEDUCTION FOR WAGES TAKEN INTO ACCOUNT IN DETERMINING IMPROPERLY CLAIMED CREDIT.—

"(A) IN GENERAL.—Notwithstanding section 6511 of such Code, in the case of an assessment attributable to a credit claimed under this section, the limitation on the time pe-

riod for credit or refund of any amount attributable to a deduction for improperly claimed ERTC wages shall not expire before the time period for such assessment expires under paragraph (1).

"(B) IMPROPERLY CLAIMED ERTC WAGES.—For purposes of this paragraph, the term 'improperly claimed ERTC wages' means, with respect to an assessment attributable to a credit claimed under this section, the wages with respect to which a deduction would not have been allowed if the portion of the credit to which such assessment relates had been properly claimed.".

(j) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the provisions of this section shall apply to aid, assistance, and advice provided after March 12, 2020.

(2) DUE DILIGENCE REQUIREMENTS.—Subsections (b) and (c) shall apply to aid, assistance, and advice provided after the date of the enactment of this Act.

(3) LIMITATION ON CREDIT AND REFUND OF COVID-RELATED EMPLOYEE RETENTION TAX CREDITS.—Subsection (h) shall apply to credits and refunds allowed or made after the date of the enactment of this Act.

(4) AMENDMENTS TO EXTEND LIMITATION ON ASSESSMENT.—The amendments made by subsection (i) shall apply to assessments made after the date of the enactment of this Act.

(k) TRANSITION RULE WITH RESPECT TO REQUIREMENTS TO DISCLOSE INFORMATION, MAINTAIN CLIENT LISTS, ETC.—Any return under section 6111 of the Internal Revenue Code of 1986, or list under section 6112 of such Code, required by reason of subsection (d) of this section to be filed or maintained, respectively, with respect to any aid, assistance, or advice provided by a COVID–ERTC promoter with respect to a COVID–ERTC document before the date of the enactment of this Act, shall not be required to be so filed or maintained (with respect to such aid, assistance or advice) before the date which is 90 days after the date of the enactment of this Act.

(l) PROVISIONS NOT TO BE CONSTRUED TO CREATE NEGATIVE INFERENCES.—

(1) NO INFERENCE WITH RESPECT TO APPLICATION OF KNOWLEDGE REQUIREMENT TO PRE-ENACTMENT CONDUCT OF COVID-ERTC PROMOTERS, ETC.—Subsection (b) shall not be construed to create any inference with respect to the proper application of section 6701(a)(3) of the Internal Revenue Code of 1986 with respect to any aid, assistance, or advice provided by any COVID-ERTC promoter on or before the date of the enactment of this Act (or with respect to any other aid, assistance, or advice to which such subsection does not apply).

(2) REQUIREMENTS TO DISCLOSE INFORMATION, MAINTAIN CLIENT LISTS, ETC.—Subsections (d) and (k) shall not be construed to create any inference with respect to whether any COVID-related employee retention tax credit is (without regard to subsection (d)) a listed transaction (or reportable transaction) with respect to any COVID–ERTC promoter; and, for purposes of subsection (k), a return or list shall not be treated as required

(with respect to such aid, assistance, or advice) by reason of subsection (d) if such return or list would be so required without regard to subsection (d).

(m) REGULATIONS.—The Secretary (as defined in subsection (c)(5)) shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section (and the amendments made by this section).

SEC. 112206. EARNED INCOME TAX CREDIT REFORMS.

(a) EARNED INCOME TAX CREDIT CERTIFICATION PROGRAM.—

(1) ESTABLISHMENT OF PROGRAM.—

(A) IN GENERAL.—Chapter 77 is amended by adding at the end the following new section:

"SEC. 7531. EARNED INCOME TAX CREDIT CERTIFICATION PROGRAM.

"(a) IN GENERAL.—To avoid duplicative and other erroneous claims under section 32 with respect to a child of the taxpayer, for taxable years beginning after December 31, 2027, the Secretary shall establish a program under which, on the taxpayer's application with respect to the child, the Secretary shall issue an EITC certificate for purposes of section 32 establishing such child's status as a qualifying child only of the taxpayer for a taxable year.

"(b) APPLICATION REQUIREMENTS.—

"(1) IN GENERAL.—The Secretary shall not issue to a taxpayer an EITC certificate with respect to a child for a taxable year unless the taxpayer applies under the program with respect to the child and provides such information and supporting documentation as the Secretary shall by regulation prescribe as necessary to establish such child as a qualifying child only of the taxpayer for the taxable year.

"(2) TIME AND MANNER OF APPLICATION.—Such application shall be made, and such information and supporting documentation shall be provided—

"(A) in such manner as may be provided by the Secretary for purposes of this section (including establishing an on-line portal), and

"(B) not later than the due date for the return of tax for the taxable year or (if later) when the return is filed.

"(3) COMPETING CLAIMS.—In the case of more than 1 taxpayer making an application with respect to a child under the program for a taxable year beginning during a calendar year, the Secretary shall not issue an EITC certificate to any such taxpayer with respect to such child for such a taxable year unless the Secretary can establish such child, based on information and supporting documentation provided under paragraph (1), as the qualifying child only of one such taxpayer for such a taxable year.

"(c) TREATMENT OF CREDIT WITHOUT CERTIFICATION UNDER PROGRAM.—For taxable years beginning after December 31, 2027—

"(1) IN GENERAL.—In the case of a taxpayer who takes into account as a qualifying child under section 32 a child for whom an EITC certificate has not been issued for the taxable year to the taxpayer—

"(A) the Secretary shall not credit the portion of any overpayment for such taxable year that is attributable to

the taxpayer taking into account such child as a qualifying child, unless the taxpayer obtains, not later than the due date for the return for the taxable year, an EITC certificate with respect to such child for such taxable year, and

"(B) if the taxpayer fails to so obtain an EITC certificate, such failure shall be treated—

"(i) as an omission of information required by section 32 with respect to such child, and

"(ii) as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

"(2) TERMINATION OF CERTIFICATION.—In the case of a taxpayer who for a taxable year takes into account as a qualifying child under section 32 a child for whom an EITC certificate is terminated for such taxable year, such termination shall be treated in the same manner as a failure to obtain an EITC certificate under paragraph (1)(B).

"(d) TRANSITION RULES FOR TAXABLE YEARS BEGINNING BEFORE 2028.—

"(1) IN GENERAL.—If for any taxable year beginning after December 31, 2023, and before January 1, 2027, more than 1 taxpayer makes a claim for credit under section 32 taking into account the same child as a qualifying child, then the Secretary shall send notice to each such taxpayer (by certified or registered mail to the last known address of the taxpayer) detailing the resultant treatment of such taxpayers under paragraph (2) with respect to such child for any subsequent taxable years beginning before 2028.

"(2) SUBSEQUENT TAXABLE YEARS BEGINNING BEFORE 2028.—In the case of a child with respect to whom paragraph (1) applied by reason of claims for credit for a taxable year, for any subsequent taxable years beginning before January 1, 2028—

"(A) subject to subparagraph (B), the Secretary shall not credit the portion of any overpayment for the taxable year that is attributable to a taxpayer taking into account such child as a qualifying child under section 32 until the 15th day of October following the end of the taxable year, and

"(B) if more than one taxpayer makes a claim for such credit for the taxable year taking into account such child as a qualifying child, so taking such child into account shall be treated—

"(i) as an omission of information required by section 32 with respect to such child, and

"(ii) as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

"(e) QUALIFYING CHILD.—For purposes of this section, the term 'qualifying child' has the meaning given such term under section 32(c)(3).

"(f) REBUTTAL OF TREATMENT.—Treatment under subsection (c) or (d)(2)(B) as having omitted information required by section 32 may be rebutted by providing such information and supporting documentation as satisfactorily demonstrates the child is a qualifying child of the taxpayer for the taxable year.

"(g) RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY USE PROGRAM.—

"(1) IN GENERAL.—A taxpayer shall not be permitted to apply for an EITC certificate under the program for any taxable year in the disallowance period.

"(2) DISALLOWANCE PERIOD.—For purposes of paragraph (1), the disallowance period is—

"(A) the period of 10 taxable years after the most recent taxable year for which there was a penalty imposed under 6720D on the taxpayer (but only if such penalty has been imposed on such taxpayer more than once, at least one instance of which was due to fraud under section 6720D(b)),

"(B) the period of 2 taxable years after the most recent taxable year for which there was a penalty imposed under 6720D on the taxpayer (but only if such penalty has been imposed on such taxpayer more than once due to reckless or intentional disregard of rules and regulations (but not imposed due to fraud)), and

"(C) any disallowance period with respect to the taxpayer under section 32(k)(1).

"(h) REGULATIONS.—The Secretary shall prescribe such rules as may be necessary or appropriate to carry out the program and purposes of this section, including—

"(1) a process for establishing alternating taxable year treatment of a child as a qualifying child under a custodial arrangement,

"(2) notwithstanding subsection (d)(2), a process for—

"(A) establishing the status of a child as a qualifying child of the taxpayer under section 32 for taxable years to which such subsection applies, and

"(B) allowing credit or refunds attributable to such status,

"(3) a simplified process for re-certifying a child as a qualifying child only of the taxpayer for a taxable year, and

"(4) a process for terminating EITC certificates in the case of competing claims with respect to a child or in cases in which issuance of the certificate is determined by the Secretary to be erroneous.".

(B) CONFORMING AMENDMENT.—Section 32 amended by adding at the end the following new subsection:

"(o) EITC CERTIFICATE WITH RESPECT TO QUALIFYING CHILDREN.—For rules relating to EITC certificates with respect to qualifying children and duplicate claims for the credit allowed under this section, see section 7531.".

(C) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by adding at the end the following new item:

"Sec. 7531. Earned income tax credit certification program.".

(2) PENALTIES FOR IMPROPER USE OF EITC CERTIFICATE PROGRAM.—

(A) IN GENERAL.—Part I of subchapter B of chapter 68 is amended by adding at the end the following new section:

"SEC. 6720D. PENALTIES WITH RESPECT TO EITC CERTIFICATE PROGRAM.

"(a) RECKLESS OR INTENTIONAL DISREGARD.—If—

"(1) any person makes a material misstatement or inaccurate representation in an application under section 7531 for an EITC certificate, and

"(2) such misstatement or representation was due to reckless or intentional disregard of rules and regulations (but not due to fraud),

such person shall pay a penalty of $100 for each EITC certificate with respect to which such misstatement or representation was made.

"(b) FRAUD.—If a misstatement or representation described in subsection (a)(1) is due to fraud on the part of the person making such misstatement or representation, in addition to any criminal penalty, such person shall pay a penalty of $500 for each EITC certificate with respect to which such a misstatement or representation was made.".

(B) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by adding at the end the following new item:

"Sec. 6720D. Penalties with respect to EITC certificate program.".

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

(b) TASK FORCE TO DESIGN A PRIVATE DATA BOUNCING SYSTEM FOR IMPROVEMENTS TO THE EARNED INCOME TAX CREDIT.—Out of any money in the Treasury not otherwise appropriated, there is hereby appropriated $10,000,000 for the fiscal year ending on September 30, 2026, for necessary expenses of the Department of the Treasury, to establish, within 90 days following the date of the enactment of this Act, a task force to provide to the Secretary of the Treasury a report on the following with respect to the administration of the earned income tax credit:

(1) Recommendations for improvement of the integrity of such administration.

(2) The potential use of third-party payroll and consumption datasets to verify income.

(3) The integration of automated databases to allow horizontal verification to reduce improper payments, fraud, and abuse.

(c) INCREASED EARNED INCOME TAX CREDIT FOR PURPLE HEART RECIPIENTS WHOSE SOCIAL SECURITY DISABILITY BENEFITS ARE TERMINATED BY REASON OF WORK ACTIVITY.—

(1) IN GENERAL.—Section 32, as amended by the preceding provisions of this Act, is amended by adding at the end the following new subsection:

"(p) INCREASE IN CREDIT FOR PURPLE HEART RECIPIENTS WHOSE SOCIAL SECURITY DISABILITY BENEFITS ARE TERMINATED BY REASON OF WORK ACTIVITY.—

"(1) IN GENERAL.—In the case of a specified Purple Heart recipient, the credit otherwise determined under subsection (a) for the taxable year shall be increased (whether or not such specified Purple Heart recipient is an eligible individual) by the sum of the SSDI benefit substitution amounts with respect to qualified benefit termination months during such taxable year.

"(2) SPECIFIED PURPLE HEART RECIPIENT.—For purposes of this subsection, the term 'specified Purple Heart recipient' means any individual—

"(A) who received the Purple Heart,

"(B) who received disability insurance benefit payments under section 223(a) of the Social Security Act, and

"(C) with respect to whom such disability insurance benefit payments ceased to be payable by reason of section 223(e)(1) of such Act.

"(3) QUALIFIED BENEFIT TERMINATION MONTH.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified benefit termination month' means, with respect to any specified Purple Heart recipient, each month during the 12-month period beginning with the first month with respect to which disability insurance benefit payments described in paragraph (2)(B) ceased to be payable as described in paragraph (2)(C).

"(B) EXCEPTION FOR MONTHS FOR WHICH BENEFITS ARE REINSTATED, ETC.—Such term shall not include any month if the specified Purple Heart recipient receives any benefit payment under section 223(a) of the Social Security Act with respect to such month.

"(4) SSDI BENEFIT SUBSTITUTION AMOUNT.—For purposes of this subsection, the term 'SSDI benefit substitution amount' means, with respect to specified Purple Heart recipient for any qualified benefit termination month, an amount equal to the disability insurance benefit payment received by such recipient under section 223(a) of the Social Security Act for the month immediately preceding the 12-month period described in paragraph (3)(A).

"(5) CERTAIN EITC LIMITATIONS NOT APPLICABLE.—Subsections (a)(2), (d), (e), (f), and (i) shall not apply with respect to the increase under paragraph (1).".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 112207. TASK FORCE ON THE TERMINATION OF DIRECT FILE.

(a) TERMINATION OF DIRECT FILE.—As soon as practicable, and not later than 30 days after the date of the enactment of this Act, the Secretary of the Treasury shall ensure that the Internal Revenue Service Direct File program has been terminated.

(b) APPROPRIATION FOR TASK FORCE TO DESIGN A BETTER PUBLIC-PRIVATE PARTNERSHIP BETWEEN THE IRS AND PRIVATE SECTOR TAX PREPARATION SERVICES TO PROVIDE FOR FREE TAX FILING TO REPLACE THE EXISTING "FREE FILE" PROGRAM AND ANY "DIRECT EFILE" TAX RETURN SYSTEM.—Out of any money in the Treasury not otherwise appropriated, there is hereby appropriated for the fiscal year ending September 30, 2026, for necessary expenses of the Department of the Treasury to deliver to Congress, within 90 days following the date of the enactment of this Act, a report on (1) the cost of a new public-private partnership to provide for free tax filing for up to 70 percent of all taxpayers calculated by adjusted gross income to replace free file and any IRS-run direct file

programs; (2) taxpayer opinions and preferences regarding a taxpayer-funded, government-run service or a free service provided by the private sector; and (3) assessment of the feasibility of a new approach, how to make the options consistent and simple for taxpayers across all participating providers, how to provide features to address taxpayer needs, and how much money should be appropriated to advertise the new option, $15,000,000, to remain available until September 30, 2026.

SEC. 112208. POSTPONEMENT OF TAX DEADLINES FOR HOSTAGES AND INDIVIDUALS WRONGFULLY DETAINED ABROAD.

(a) PROSPECTIVE RELIEF.—

(1) IN GENERAL.—Chapter 77 is amended by inserting after section 7510 the following new section:

"SEC. 7511. TIME FOR PERFORMING CERTAIN ACTS POSTPONED FOR HOSTAGES AND INDIVIDUALS WRONGFULLY DETAINED ABROAD.

"(a) TIME TO BE DISREGARDED.—

"(1) IN GENERAL.—The period during which an applicable individual was unlawfully or wrongfully detained abroad, or held hostage abroad, shall be disregarded in determining, under the internal revenue laws, in respect of any tax liability of such individual—

"(A) whether any of the acts described in section 7508(a)(1) were performed within the time prescribed thereof (determined without regard to extension under any other provision of this subtitle for periods after the initial date (as determined by the Secretary) on which such individual was unlawfully or wrongfully detained abroad or held hostage abroad),

"(B) the amount of any interest, penalty, additional amount, or addition to the tax for periods after such date, and

"(C) the amount of any credit or refund.

"(2) APPLICATION TO SPOUSE.—The provisions of paragraph (1) shall apply to the spouse of any individual entitled to the benefits of such paragraph.

"(b) APPLICABLE INDIVIDUAL.—

"(1) IN GENERAL.—For purposes of this section, the term 'applicable individual' means any individual who is—

"(A) a United States national unlawfully or wrongfully detained abroad, as determined under section 302 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act (22 U.S.C. 1741), or

"(B) a United States national taken hostage abroad, as determined pursuant to the findings of the Hostage Recovery Fusion Cell (as described in section 304 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act (22 U.S.C. 1741b)).

"(2) INFORMATION PROVIDED TO TREASURY.—For purposes of identifying individuals described in paragraph (1), not later than January 1, 2026, and annually thereafter—

"(A) the Secretary of State shall provide the Secretary with a list of the individuals described in paragraph (1)(A),

as well as any other information necessary to identify such individuals, and

"(B) the Attorney General, acting through the Hostage Recovery Fusion Cell, shall provide the Secretary with a list of the individuals described in paragraph (1)(B), as well as any other information necessary to identify such individuals.

"(c) SPECIAL RULE FOR OVERPAYMENTS.—

"(1) IN GENERAL.—Subsection (a) shall not apply for purposes of determining the amount of interest on any overpayment of tax.

"(2) SPECIAL RULES.—If an individual is entitled to the benefits of subsection (a) with respect to any return and such return is timely filed (determined after the application of such subsection), subsections (b)(3) and (e) of section 6611 shall not apply.

"(d) MODIFICATION OF TREASURY DATABASES AND INFORMATION SYSTEMS.—The Secretary shall ensure that databases and information systems of the Department of the Treasury are updated as necessary to ensure that statute expiration dates, interest and penalty accrual, and collection activities are suspended consistent with the application of subsection (a).

"(e) REFUND AND ABATEMENT OF PENALTIES AND FINES IMPOSED PRIOR TO IDENTIFICATION AS APPLICABLE INDIVIDUAL.—In the case of any applicable individual—

"(1) for whom any interest, penalty, additional amount, or addition to the tax in respect to any tax liability for any taxable year ending during the period described in subsection (a)(1) was assessed or collected, and

"(2) who was, subsequent to such assessment or collection, determined to be an individual described in subparagraph (A) or (B) of subsection (b)(1),

the Secretary shall abate any such assessment and refund any amount collected to such applicable individual in the same manner as any refund of an overpayment of tax under section 6402.".

(2) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by inserting after the item relating to section 7510 the following new item:

"Sec. 7511. Time for performing certain acts postponed for hostages and individuals wrongfully detained abroad.".

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

(b) REFUND AND ABATEMENT OF PENALTIES AND FINES PAID BY ELIGIBLE INDIVIDUALS.—

(1) IN GENERAL.—Section 7511, as added by subsection (a), is amended by adding at the end the following new subsection:

"(f) REFUND AND ABATEMENT OF PENALTIES AND FINES PAID BY ELIGIBLE INDIVIDUALS WITH RESPECT TO PERIODS PRIOR TO DATE OF ENACTMENT OF THIS SECTION.—

"(1) IN GENERAL.—

"(A) ESTABLISHMENT.—Not later than January 1, 2026, the Secretary (in consultation with the Secretary of State and the Attorney General) shall establish a program to

allow any eligible individual (or the spouse or any dependent (as defined in section 152) of such individual) to apply for a refund or an abatement of any amount described in paragraph (2) (including interest) to the extent such amount was attributable to the applicable period.

"(B) IDENTIFICATION OF INDIVIDUALS.—Not later than January 1, 2026, the Secretary of State and the Attorney General, acting through the Hostage Recovery Fusion Cell (as described in section 304 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act (22 U.S.C. 1741b)), shall—

"(i) compile a list, based on such information as is available, of individuals who were applicable individuals during the applicable period, and

"(ii) provide the list described in clause (i) to the Secretary.

"(C) NOTICE.—For purposes of carrying out the program described in subparagraph (A), the Secretary (in consultation with the Secretary of State and the Attorney General) shall, with respect to any individual identified under subparagraph (B), provide notice to such individual—

"(i) in the case of an individual who has been released on or before the date of enactment of this subsection, not later than 90 days after the date of enactment of this subsection, or

"(ii) in the case of an individual who is released after the date of enactment of this subsection, not later than 90 days after the date on which such individual is released,

that such individual may be eligible for a refund or an abatement of any amount described in paragraph (2) pursuant to the program described in subparagraph (A).

"(D) AUTHORIZATION.—

"(i) IN GENERAL.—Subject to clause (ii), in the case of any refund described in subparagraph (A), the Secretary shall issue such refund to the eligible individual in the same manner as any refund of an overpayment of tax.

"(ii) EXTENSION OF LIMITATION ON TIME FOR REFUND.—With respect to any refund under subparagraph (A)—

"(I) the 3-year period of limitation prescribed by section 6511(a) shall be extended until the end of the 1-year period beginning on the date that the notice described in subparagraph (C) is provided to the eligible individual, and

"(II) any limitation under section 6511(b)(2) shall not apply.

"(2) ELIGIBLE INDIVIDUAL.—For purposes of this subsection, the term 'eligible individual' means any applicable individual who, for any taxable year ending during the applicable period, paid or incurred any interest, penalty, additional amount, or addition to the tax in respect to any tax liability for such year of such individual based on a determination that an act de-

scribed in section 7508(a)(1) which was not performed by the time prescribed therefor (without regard to any extensions).

"(3) APPLICABLE PERIOD.—For purposes of this subsection, the term 'applicable period' means the period—

"(A) beginning on January 1, 2021, and

"(B) ending on the date of enactment of this subsection.".

(2) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending on or before the date of enactment of this Act.

SEC. 112209. TERMINATION OF TAX-EXEMPT STATUS OF TERRORIST SUPPORTING ORGANIZATIONS.

(a) IN GENERAL.—Section 501(p) is amended by adding at the end the following new paragraph:

"(8) APPLICATION TO TERRORIST SUPPORTING ORGANIZATIONS.—

"(A) IN GENERAL.—For purposes of this subsection, in the case of any terrorist supporting organization—

"(i) such organization (and the designation of such organization under subparagraph (B)) shall be treated as described in paragraph (2), and

"(ii) the period of suspension described in paragraph (3) with respect to such organization shall be treated as beginning on the date that the Secretary designates such organization under subparagraph (B) and ending on the date that the Secretary rescinds such designation under subparagraph (D).

"(B) TERRORIST SUPPORTING ORGANIZATION.—For purposes of this paragraph—

"(i) IN GENERAL.—the term 'terrorist supporting organization' means any organization which is designated by the Secretary as having provided, during the 3-year period ending on the date of such designation, material support or resources to an organization described in paragraph (2) (determined after the application of this paragraph to such organization) in excess of a de minimis amount.

"(ii) MATERIAL SUPPORT OR RESOURCES.—The term 'material support or resources' has the meaning given such term in subsection (g)(4) of section 2339B of title 18, United States Code, except that such term shall not include—

"(I) support or resources that were approved by the Secretary of State with the concurrence of the Attorney General for purposes of subsection (j) of such section, or

"(II) humanitarian aid provided with the approval of the Office of Foreign Assets Control.

"(C) DESIGNATION PROCEDURE.—

"(i) NOTICE REQUIREMENT.—Prior to designating any organization as a terrorist supporting organization under subparagraph (B), the Secretary shall mail to the most recent mailing address provided by such organization on the organization's annual return or no-

tice under section 6033 (or subsequent form indicating a change of address) a written notice which includes—

"(I) a statement that the Secretary will designate such organization as a terrorist supporting organization unless the organization satisfies the requirements of subclause (I) or (II) of clause (ii),

"(II) the name of the organization or organizations with respect to which the Secretary has determined such organization provided material support or sources as described in subparagraph (B),

"(III) a description of such material support or resources except to the extent that the Secretary determines that disclosure of such description would be inconsistent with national security or law enforcement interests, and

"(IV) if the Secretary makes the determination described in subclause (III), a statement that the Secretary has made such determination and that all or part of the description of such material support or resources is not included in such notice by reason of such determination.

"(ii) OPPORTUNITY TO CURE.—In the case of any notice provided to an organization under clause (i), the Secretary shall, at the close of the 90-day period beginning on the date that such notice was sent, designate such organization as a terrorist supporting organization under subparagraph (B) if (and only if) such organization has not (during such period)—

"(I) demonstrated to the satisfaction of the Secretary that such organization did not provide the material support or resources referred to in subparagraph (B),

"(II) made reasonable efforts to have such support or resources returned to such organization and certified in writing to the Secretary that such organization will not provide any further support or resources to organizations described in paragraph (2), or

"(III) if such notice included a statement described in clause (i)(IV), filed a complaint with a United States district court of competent jurisdiction alleging that Secretary's determination under clause (i)(III) is erroneous.

A certification under subclause (II) shall not be treated as valid if the organization making such certification has provided any other such certification during the preceding 5 years.

"(iii) APPLICATION OF OPPORTUNITY TO CURE FOLLOWING COMPLAINT REGARDING DETERMINATION TO WITHHOLD DESCRIPTION OF MATERIAL SUPPORT OR RESOURCES.—In the case of a final judgment of a court of competent jurisdiction that the Secretary's determination under clause (i)(III) was not erroneous, clause (ii) shall be applied without regard to subclause

(III) thereof and as though the notice referred to in such clause was sent on the first date that all rights of appeal with respect to such final judgement have concluded.

"(D) RESCISSION.—The Secretary shall rescind a designation under subparagraph (B) if (and only if)—

"(i) the Secretary determines that such designation was erroneous,

"(ii) after the Secretary receives a written certification from an organization that such organization did not receive the notice described in subparagraph (C)(i)—

"(I) the Secretary determines that it is reasonable to believe that such organization did not receive such notice, and

"(II) such organization satisfies the requirements of subclause (I) or (II) of subparagraph (C)(ii) (determined after taking into account the last sentence thereof), or

"(iii) the Secretary determines, with respect to all organizations to which the material support or resources referred to in subparagraph (B) were provided, the periods of suspension under paragraph (3) have ended.

A certification described in the matter preceding subclause (I) of clause (ii) shall not be treated as valid if the organization making such certification has provided any other such certification during the preceding 5 years.

"(E) ADMINISTRATIVE REVIEW BY INTERNAL REVENUE SERVICE INDEPENDENT OFFICE OF APPEALS.—In the case of the designation of an organization by the Secretary as a terrorist supporting organization under subparagraph (B), a dispute regarding such designation shall be subject to resolution by the Internal Revenue Service Independent Office of Appeals under section 7803(e) in the same manner as if such designation were made by the Internal Revenue Service and paragraph (5) of this subsection did not apply.

"(F) JURISDICTION OF UNITED STATES COURTS.—Notwithstanding paragraph (5), the United States district courts shall have exclusive jurisdiction to review any determination of the Secretary under subparagraph (C)(i)(III) and any final determination with respect to an organization's designation as a terrorist supporting organization under subparagraph (B). In the case of any such determination which was based on classified information (as defined in section 1(a) of the Classified Information Procedures Act), such information may be submitted to the reviewing court ex parte and in camera. For purposes of this subparagraph, a determination with respect to an organization's designation as a terrorist supporting organization shall not fail to be treated as a final determination merely because such organization fails to utilize the dispute resolution

process of the Internal Revenue Service Independent Office of Appeals provided under subparagraph (E).

"(G) CLASSIFIED INFORMATION.—The Secretary shall establish policies and procedures for purposes of this paragraph that ensure that employees of the Department of the Treasury comply with all laws regarding the handling and review of classified information (as defined in section 1(a) of the Classified Information Procedures Act).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to designations made after the date of the enactment of this Act in taxable years ending after such date.

SEC. 112210. INCREASE IN PENALTIES FOR UNAUTHORIZED DISCLOSURES OF TAXPAYER INFORMATION.

(a) IN GENERAL.—Paragraphs (1), (2), (3), (4), and (5) of section 7213(a) are each amended by striking "$5,000, or imprisonment of not more than 5 years" and inserting "$250,000, or imprisonment of not more than 10 years".

(b) DISCLOSURES OF RETURN INFORMATION OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLATIONS.—Section 7213(a) is amended by adding at the end the following new paragraph:

"(6) DISCLOSURES OF RETURN INFORMATION OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLATIONS.—For purposes of this subsection, a separate violation occurs with respect to each taxpayer whose return or return information is disclosed in violation of this subsection.".

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

SEC. 112211. RESTRICTION ON REGULATION OF CONTINGENCY FEES WITH RESPECT TO TAX RETURNS, ETC.

The Secretary of the Treasury may not regulate, prohibit, or restrict the use of a contingent fee in connection with tax returns, claims for refund, or documents in connection with tax returns or claims for refund prepared on behalf of a taxpayer.

Subtitle D—Increase in Debt Limit

SEC. 113001. MODIFICATION OF LIMITATION ON THE PUBLIC DEBT.

The limitation under section 3101(b) of title 31, United States Code, as most recently increased by section 401(b) of Public Law 118–5 (31 U.S.C. 3101 note), is increased by $4,000,000,000,000.

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